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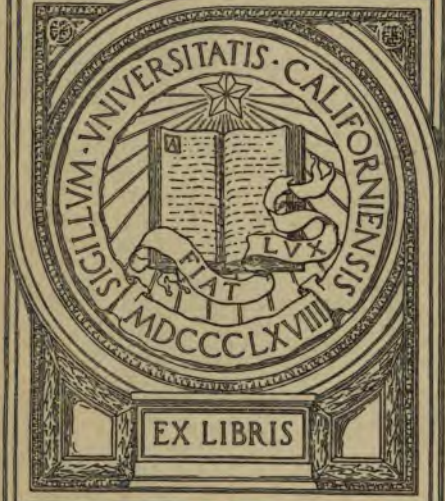

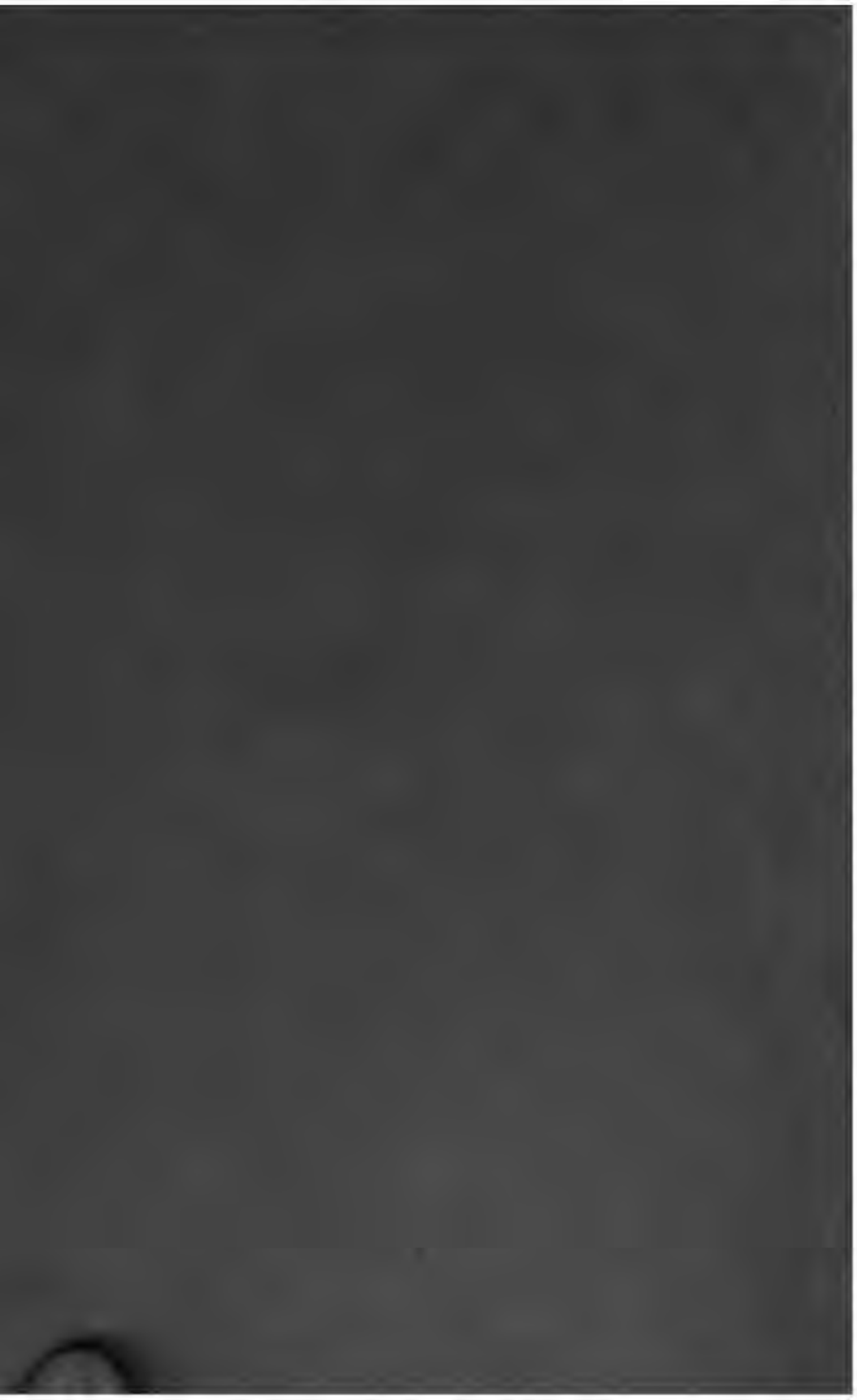

TRADING WITH THE FAR EAST

TRADING WITH THE FAR EAST

HOW TO SELL IN THE ORIENT : POLICIES : METHODS
ADVERTISING : CREDITS : FINANCING
DOCUMENTS : DELIVERIES

UNIV. OF CALIFORNIA

SECOND EDITION
REVISED AND ENLARGED

IRVING NATIONAL BANK
WOOLWORTH BUILDING NEW YORK

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INTRODUCTORY WORD

WHEN THE FIRST edition of "Trading with the Far East" appeared a little more than a year ago, the United States had reached a critical stage in its history. The war had wrought great changes in our life. From a nation that had prided itself upon its independence, and, in a sense, even upon its isolation, we had emerged from the conflict bound by new ties of great economic and commercial importance.

We had become world merchants. As our commerce had expanded, our perspective had broadened. Commercial relations had been established with markets which formerly were closed to us. American ships were familiar sights in ports where the Stars and Stripes had not been seen in half a century. The pendulum of American trade had swung to a high point. Would some supporting force, some expression of national resourcefulness, energy, enterprise, keep it there? Or, with the return of Europe to something resembling normal activity, would we fall back to our pre-war contentment in our economic self-sufficiency?

In part, this question has been answered. Peace has been attained. Most of the nations have made at least a beginning in rehabilitation. Yet, our sales to other nations in 1919 amounted to $7,922,150,600, exceeding in value those of any previous year, while our purchases from abroad totalled $3,904,406,300, also a record for all time. Our international trade is now above $110 for every man, woman and child in the United States.

It is not necessary in pursuing commercial success that we follow a course of relentless, bitter trade aggression: were this the case, one great lesson of the war would go for naught. As a large creditor nation, we can afford to temper just demands with a spirit of generosity consistent with the finest ideals of our business life. Co-operation rather than competition will be our sure guide.

It is our legitimate function to supply American goods wherever there is a demand for them, and to buy freely in return. In seeking fields for our trade expansion, no part of the world offers greater promise of return than the Far East. Already we have discovered that the requirements of European markets are now less in quantity than in other years and that Europe's buying power is likely to be limited for some time to come. The countries of Latin-America have proved fruitful in the past, with the pros-

pect of greater rewards in store. But the Orient still is undeveloped ground, vast in natural resources, with half the population of the globe and with untold possibilities of wealth in the years to come.

Trade with the Far East involves problems of magnitude. Distance, strange customs, different characteristics, unfamiliar points of view, new languages and dialects—these are among the features creating the background against which all commercial activity must be carried on. The machinery of business and commerce is unusual, often complicated, and the conditions and factors in market-making are constantly changing. It was to acquaint the busy manufacturer and merchant with the more outstanding among these conditions that "Trading with the Far East" was published. Now it comes forth, revised, with more recent information and a larger store of facts. In preparing the material standard sources have been drawn upon. In addition practical suggestions from prominent exporters have been incorporated, analyzing situations and outlining effective solutions.

The countries and islands included are: Japan, Chosen, Formosa; the Philippine Islands; Siberia; China, Manchuria, Mongolia, Tibet, Hong Kong; French Indo-China; India, Burma, Ceylon, Afghanistan, Baluchistan; Siam; the Malay Peninsula, and the Dutch East Indies, including Java and Sumatra.

The book undertakes to provide an interpretation for commercial purposes, of conditions in these countries, with a general analysis of trade opportunities and possibilities for development of the Orient's resources. In short, it endeavors to do for the Far East what has been accomplished for our neighbors to the south in "Trading with Latin-America," also published by the Irving. Together the books cover fields which offer exceptional markets, perhaps the best for American trade for years to come.

One unifying idea runs through the diversified material of both volumes—the idea that our foreign trade activity, now accepted as a national undertaking, must serve properly the international interests upon which so much of the happiness of nations depends. With this as a foundation, and with an opportunity to exercise in peace the national power of accomplishment so well illustrated in war, success in international commerce should be assured.

IRVING NATIONAL BANK.

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TRADING WITH THE FAR EAST

"NOW foreign trade comes along and demands a hearing as a national institution, a national necessity. We must realize that, whatever the cause or causes, we are in foreign trade definitely and without the possibility of getting out of it. We must recognize that the American who is engaged in foreign trade is not a national liability or danger, but a national asset. We must learn to take him seriously and must contribute as freely to the solution of his problems abroad as we do to the solution of our own problems here at home."

America's Trans-Pacific Market

THE VOLUME of trade between the United States and the countries of the Far East last year amounted to nearly $2,000,000,000, or slightly more than 15 per cent. of our commerce with the entire world. In the last five years, our sales to the continent of Asia and the adjacent islands have increased nearly seven-fold, from $113,425,616 in 1914 to $773,208,866 in 1919. The growth in the one year from 1918 was $277,101,961, or 56 per cent. To Japan alone we shipped merchandise worth $366,364,593, or three and a quarter times as much in value as all the American goods sent to the Orient in 1914.

Future in the Pacific. These figures furnish ample ground for the belief of many that the greater future of American trade lies across the Pacific rather than the Atlantic. They are, however, only a surface indication of the commercial trend. Every trade report and every returning traveler brings the message that Asia—that continent of tremendous distances, vast man power and potential natural wealth almost unbelievable—is only at the beginning of a marvelous development and that the stage now is set for her economic awakening. And with this frequently is heard the prediction that the next century, perhaps the next fifty years, will see the progress of backward Eastern nations of today to a place among the world's commercial leaders.

Trade Seekers Busy. In this development it would seem that the United States must have a part. Our position as the nearest great nation which produces in quantity the things which the Orient must have compels it. Our direct interest in the peace and well-being of Asia make our commercial participation a matter of the utmost political importance. And that the American manufacturer recognizes the golden business opportunity which lies open to him is evidenced by the passenger lists of trans-Pacific steamships. Every vessel to Asian ports now carries American trade-seekers. Of all who crossed the ocean last year bound for the Far East, seventy-five per cent. were on business bent.

Conditions Favor Us. The strengthening of our commercial position in the Orient depends upon the energy and skill with which Americans pursue the campaign. Conditions are all in our favor. We emerged from the war with the respect of Japan, the admiration of China and the good will of millions who only a few years before had known little or nothing of us. In the months since the signing of the armistice, our relations have grown closer, if anything, than they were while the conflict was in progress. Our prestige among the peoples of the Far East is at its highest point. They have faith in our purposes and standards of conduct, political and commercial. They have also the impression of huge industrial resources that stand behind us and of a national habit of success. American goods and American "chops," as trade-marks and distinctive trade names generally are known throughout the Orient, have penetrated to the remotest corners of Asia. Hundreds of new American exporters have established connections which offer promise of permanency.

Credit and Financing Banking facilities and sources of credit information have been multiplied, thus eliminating two serious drawbacks to profitable trade relations in the past. The Federal Reserve act enables American commercial banks to provide credit resources equal to the financing of billions of dollars of export business. And the leading banks themselves have so developed their machinery for handling these overseas transactions that filling export orders and getting the money for them have become almost as easy and quite as safe as completing the same operations in the United States.

Ship Problem Solved. The Government's shipbuilding program, born of the necessities of war, is being pushed vigorously to a conclusion, and should provide ships to meet every reasonable requirement. At the beginning of 1920, the Shipping Board had in operation 1,688 ships, of 9,298,669 deadweight tons, with plans calling for the completion of 534 additional vessels of 3,661,767 tons during the year. Of these, a considerable number have been delivered as this book goes to press, giving to the nation a merchant marine of approximately 10,000,000 tons. This furnishes a remarkable contrast to our national status in 1914 when, of the world's seagoing merchant tonnage of 41,225,000 gross tons, only 2,706,000 tons flew the Ameri-

can flag and 90 per cent. of the foreign trade of the United States traveled in foreign bottoms. Many of the new ships are destined for the Pacific trade. As ships are of no value without officers and crews to man them, the Government has established schools in which applicants are being trained to perform these services.

Other nations also are anticipating the needs of Oriental trade. Japan especially has been active and her shipyards have been working almost constantly since long before the war ended, turning out vessels to carry her products and those of other countries. With American, Japanese and British steamships all looking for cargoes, exporters to the Far East should find transportation at reasonable rates the least of their problems.

Getting Market Data. Other government activities likewise are encouraging. For more than a year special investigators for the Department of Commerce have been at work in the Orient, in Europe and in South America studying the needs of the principal markets and the business opportunities therein. Reports from these men are expected in the near future.

Laws Aid Exporters. In no way has the Government's interest in the promotion of foreign trade been more definitely shown than in the enactment of the Webb-Pomerene law and its complement measure, the Edge law. The former authorizes the formation of export associations by manufacturers to sell their products overseas. Such combinations are prohibited in the domestic field; but abroad American producers will have to meet the organized competition of powerful British, French and Japanese combinations which are authorized by their governments to act in concert in exploiting foreign markets.

On Equal Footing. The law, therefore, simply puts American business men on an equality with competing nations in developing the foreign demand for their commodities. Up to May 1, 106 organizations of American exporters had filed papers with the Federal Trade Commission signifying their intention to combine in this way. Apart from a few old and strongly entrenched houses, we have so much to learn about selling abroad that the first big efforts of these export associations will be devoted to developing and standardizing export methods and machinery.

Value of Edge Law. The Edge law has been spoken of as a financial Webb law. As the Webb law permits commercial combinations for foreign business, so the Edge measure makes possible combinations to handle the financial end of foreign commerce. It furnishes a method by which foreign purchasers without ready money may buy American goods on credit and at the same time it permits the American exporter to receive cash for the goods sold. In practice it provides for the organization under federal charter of institutions whose chief purpose shall be to supply means for the absorption by American investors of securities which foreign countries wish to utilize in purchasing goods in the United States. The first combination formed under the Edge law recently was organized in New York.

Import Trade Vital. Providing of these export facilities, however, is less vital to the future of our Far Eastern trade than the extraordinary increase in the volume and value of our direct imports from the Orient. Our purchases of raw materials, foodstuffs and manufactured wares in 1919 totalled $1,040,396,599, or fully a third more than the value of goods we shipped in return. In 1914, our imports from Asia were less than $300,000,000. Moreover, where in that year only one country, Japan, exported to the United States products worth more than $50,000,000, in 1919 no less than six exceeded that mark—Japan, with $409,853,213; China next, with $170,177,265; the Straits Settlements, $145,812,447; India, $140,081,000, the Dutch East Indies, $78,746,091, and the Philippines, $66,289,336. This credit balance in favor of the Far East supplies a solid financial basis for further trade expansion. It is, perhaps, the most significant factor in America's present situation as regards the markets of the Far East.

Gift of War-time. That circumstances rather than our own enterprise brought about this situation makes no difference; the fact remains. The great advance in our sales had its beginning early in the war. The severing of the Orient from its European sources of supply by the German submarine campaign, the Allied blockade, the shortage of shipping and the excessive insurance rates for vessels which traversed the war zones, all reacted to our advantage. British and French factories were so occupied with war orders that they had little or no time to sup-

ply their customers "east of Suez," even if the sea lanes had been safe; while Germany was isolated completely. American exporters, on the other hand, had production facilities to spare, and an imperative selling argument in dependable though costly transportation which enabled them to make deliveries of whatever merchandise they sold. And while progress now has been made toward the restoration of normal industrial conditions in Europe, the advantage gained by producers in the United States has not been lost; rather, their position has been strengthened.

Trade Routes Changed. Commercially, indeed, the effect of the war was quite comparable to that of the capture of Constantinople by the Turks in 1453. Trade routes are all powerful in the development of commerce. The downfall of the Byzantine Empire effectually closed the pathway of trade between Asia and Europe; incidentally, it was the search for a new trade route that led to the discovery of America. In the recent war, the security of the Pacific not only turned the current of Orient-bound trade from the hazardous Mediterranean; aided by the timely completion of the Panama Canal, it had the more important effect of diverting the tide of Oriental raw materials from its customary channels to paths which led directly to the factories of the United States.

Seek Primary Market. For instance, London was the crude rubber market of the world before the war. American tire-makers bought the bulk of their supplies there, although their factories were actually some thousands of miles nearer the rubber plantations of the East Indies than was London itself. The submarine menace pointed the economy of buying in the primary market of Singapore and shipping direct to the United States. And these direct importations of rubber, with similar transactions in block tin and other raw materials has set up a balance of trade in favor of the sellers which has made a great increase in our sales to them possible.

Canal Boon to Trade. Again, while the war has passed, the cut through Panama remains. Formerly, Liverpool was 2,000 miles nearer to the Far East than were the North Atlantic ports of the United States. Now, New York is 1,800 miles nearer to Yokohama than is Liverpool, while the

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length of the water journey from the Atlantic to the Pacific coast has been cut down 5,000 miles.

In Dutch East Indies. The growth of our trade with the Dutch East Indies illustrates the effect of this diversion in trade currents. Because of Holland's trying position at the focus of North Sea warfare, the Netherlands archipelago in the Pacific became isolated from its home connections and dependent on alien markets and sources of supply. Except for this, American exporters and importers had no special trade advantages. What happened, therefore, was typical of the reciprocal give-and-take which rules everywhere in international commerce.

Reciprocity Rules. If a manufacturing country like the United States imports the raw materials of a country like Java or Sumatra in increasing quantities, Java and Sumatra are likely in return to buy more and more of their necessities and luxuries in the United States. The imports must be direct, however. Where another country acts as middleman—as London and Hamburg traders used to do—the middleman controls the purchases made by the producer of raw materials. Credit balances and transportation rates help to enforce the principle that men buy, when they can, from their customers.

How It Worked Out. Our direct purchases of Dutch East Indian rubber jumped from $286,437 in 1914 to $2,114,147 in 1915. This was no more than a trial flight. In 1916 American manufacturers brought in $11,605,793 worth of crude and more than doubled this volume in 1917, with 56,689,895 pounds valued at $36,671,226. The following year there was a recession in purchases, but in 1919 the imports from the islands reached the record figure of 61,260,330 pounds, valued, at the lower prices of peace-time, at $24,600,493. This was only one-ninth of our total rubber imports, but it was the bulk of the Dutch East Indian production. Other purchases made us buyers of approximately one-fourth of the total exports of the Netherlands group.

Still Room to Expand. These figures are significant because they indicate to what an extent the United States has become a firsthand customer of Holland's Far Eastern

colonies. As such it occupies a position of strategic advantage in developing trade with the islands. But as yet we have exploited this advantage only in part. Last year our exports to the archipelago—$46,576,489—were double in value those of 1918, but even so, we sold only three dollars' worth of merchandise in return for every five dollars' worth of raw materials obtained there. This is less than our share. The general ratio of Dutch East Indian purchases (imports) to sales (exports) is higher than this. In other words, America has just begun to go after orders in earnest. Before, we were content with skimming the cream of easy orders, and allowed Japanese and English export houses, despite the handicaps imposed by the war, to make more than their quota of sales. With British, Dutch and French exporters now free again to make unrestricted sales and deliveries, organized and intelligent effort by Americans is necessary.

Buy More: Sell More. A more marked illustration of this law of give-and-take in foreign trade is found in the parallel growth of American sales and purchases in the Philippines. In 1914 we bought from the Filipinos only $18,162,312 worth of hemp, sugar, tobacco and cocoanut products and native wares. Our tariff advantage allowed us to sell in return merchandise valued at $27,304,275—more than half the Philippine imports for the year. In 1917 when the war-created demand for hemp, copra, cocoanut oil and sugar gave the islands their first great trade impetus, we purchased $62,386,641 worth of these products and sent back in exchange goods invoiced at $38,140,152. In 1918, we bought from the islands goods worth $85,935,200, or 63 per cent. of their total exports, paying part of the bill with merchandise valued at $52,975,000. Last year, our sales and purchases nearly balanced, the Philippines absorbing goods worth $70,300,000 made in this country, and selling to us products valued at $66,300,000. The Philippines now are our third best customer in Asia, only China and Japan exceeding her in the amount of purchases from us.

In China and Japan. If other instances were needed, our trade figures with China and Japan supply them. China's exports to us in the last three years have grown from $139,967,750 to $170,177,250, while her purchases of American products have mounted from $45,759,500 to $118,274,500.

Similarly Japan's sales to the United States of $253,670,000 in 1917, $302,000,000 in 1918 and $409,853,000 in 1919, have been accompanied by purchases from us in those years amounting to $186,340,300, $273,774,700 and $366,364,600.

How to Create Buyers. All these countries illustrate the reciprocal principle in foreign trade which exporters too often forget. Intensive sales campaigns are of little use in a country where the purchasing power of individuals is low; and individual purchasing power depends broadly on production. If we want the Filipinos and other Oriental folk to be good customers of ours, we must be good buyers of the things which they themselves produce.

Wealth is Growing. The buying power of the Far East is not a fixed quantity. The parallel advances in the exports and imports of the countries cited show that the Far East markets are capable of almost unlimited expansion. Here are hundreds of millions of human beings—China alone has seven times the population of all the countries of South America—whose standards of living are wretchedly low. Yet all about them are almost inexhaustible stores of mineral, agricultural and forest wealth, the development of which not only will supply raw materials essential to our industries but also will provide the industry and opportunity on which individual and national buying power are based.

Co-operation the Key. It needs no missionary purpose, no recognition of "the white man's burden," to urge our co-operation in this development. Asia needs capital, machinery and managing ability; she offers tremendous profits in exchange. All her peoples have felt the stimulus of the war, either through direct participation or through trade demands.

New Living Standards. The Indians and Indo-Chinese who served in the British and French armies, the hundreds of thousands of Chinese and Annamese laborers who toiled behind the lines in France, have carried back to their native villages knowledge of new standards and new comforts, as well as tales of adventure. Whatever their views of the war as a war, their experience in Europe and on their journeys was a swift

education in the possibilities of modern transportation, industry and organization—and the higher wages and better living conditions which accompany them. To them must be added the hundreds of students who leave the East each year to absorb Western ideals and education. All these are advance agents of a new era of development in their own countries.

Half the World Here. China and India are awake; both are due for a long step forward in commerce and civilization in the next fifty years, with a corresponding increase in purchasing power. Japan has been up and doing for a long time. Siberia's to-morrow already is dawning, and all the lesser peoples of the Orient are advancing on the path of progress. More than half the men and women in the world—Asia's population exceeds 800,000,000—are waiting to be taught new values in living and the means by which to attain them; and it has been estimated that Asia's population doubles every fifty years, or twice as rapidly as do Western peoples. Philanthropy aside, purely as a business venture, the industries and markets of the Far East are worth developing without delay.

Organization Needed. It is time for Americans to realize that these industries and markets are interdependent, and that they will be developed in general by organized national groups. American exporters and importers, manufacturers and capitalists, if they are to share largely in Asia's trade expansion, must get together on the broad platform already suggested—that, other things being equal, foreign as well as domestic buyers prefer to trade with their own customers.

Price vs. Sentiment. When American money finances a new rubber plantation in the Malay Peninsula or opens a tin mine in Billiton, the men behind the project naturally turn to American sources for their machinery and supplies. American producers expect nothing less. But when these same producers come to buy materials of foreign origin they hardly give a thought to the effect their method of purchase may have on the country's trade. They expect consideration on the score of their Americanism. Only in particular cases where a special appeal is made to them—and prices are right—do they go beyond the open market or the selfish factors of price and deliveries.

Must Pool Resources. America's overseas trade can never grow up so long as it is confined to the airtight compartments in which exporters and importers, manufacturers, commission houses and foreign investors prefer, on the whole, to conduct their individual affairs. From the war, with its pooling of industrial resources and its collective buying, European producers have learned the value of organized national effort, as well as the standardized factory methods and machine-tool production of which we had almost a monopoly before 1914. It is to be expected that they will apply these lessons in their trade with the Orient. To meet them on equal terms, our relatively untrained trade forces must have behind them a similar co-ordination of our buying and selling, as well as our producing power.

Must Work Together. Such a co-ordination is not easy to bring about. Trade follows investment in foreign government securities and public utilities, as a rule, by virtue of a contract clause specifying where the equipment shall be bought. But the organization of the diverse and self-centered interests which make up the fabric of American business is a more subtle undertaking than the financing of a limited foreign loan. At bed-rock it is the attitude of the individual manufacturer and exporter which will determine the success or relative failure of any such plan.

Outlook Reassuring. To sum up, then, both our present trade situation and our prospects in the Far East are reassuring. Our goods have penetrated to all the principal markets. Our trade-marks and the qualities for which they stand are familiar to many millions of consumers. Our exporters have established thousands of new connections of great potential value. For the safeguarding and financing of sales, American banks have developed all the machinery needed to put a transaction with a house in Shanghai or Calcutta on the same plane of certainty and profit as a sale in Kansas City or Cheyenne. There is no mystery or special hazard in either operation.

Government Support. The Webb-Pomerene law opens the way for manufacturers in every important line to co-operate in introducing their products to Far Eastern consumers. The Edge law promises to provide machinery for our sales. Ships

will not be lacking to carry goods overseas. Sailings will be frequent and competition should insure reasonable rates. The Government's recognition of the need of export trade combinations and the improvement of its trade information service indicate that American efforts to sell goods in the Orient will have the co-operation of the various Federal agencies.

Resident Americans. In any survey of trade promotion abroad, the labors of Americans already in the foreign field should not be overlooked. Every American in the Far East is a booster of products from the United States. In many foreign countries, American Chambers of Commerce have been organized, all affiliated with the Chamber of Commerce of the United States, which has its headquarters at Washington. There are now two such organizations in China, aggressive outposts of American foreign trade.

America in New Light. One final element in the situation is of surpassing advantage. Quite apart from the mental and moral reactions which American participation in the European war has had upon us as individuals and as a people, it would be a mistake to underestimate or ignore the effect which our entrance into the Great War and our share in the defeat of Germany has had upon the attitude of all other peoples towards American things and men.

National Background. The importance of national background in foreign trade already has been touched upon. But it is doubtful whether we realize how vital is this element of background in business. We like to believe that in our sales and purchases the only factors which figure importantly are quality and price. But even at home, where we can understand each other fully and easily and where business standards vary but slightly in various parts of the country, background has a definite influence much greater than appears at first glance. Abroad, where the difficulties of understanding are great, where standards of business are radically different and where even mental processes seem to follow lines incomprehensible to us, the element of background frequently proves of controlling importance. The Chinaman, the Japanese, the Malay, the East Indian, will listen politely to a salesman's talk, will inspect his goods with ap-

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parent interest and approval, will give no sign that prices or terms are not most satisfactory, will exhibit a degree of interest and deference which in this country would mean that the sale could be taken for granted; yet, all the while he may be no nearer an actual purchase than if the salesman and his samples were a thousand miles away.

Looks Beyond Order. It is queer and exasperating, but that is his way of doing business. To the Chinaman, Indian or Malay, the first purchase of a bill of American goods means not only a purchase, but also the establishing of a business connection. To him, this is far more important than the mere buying of the goods could possibly be. While the American salesman is extending himself to create the most favorable impression, the other is looking through his professions and arguments and representations and credentials for background, for something that will enable him to measure the value of the connection suggested in this particular sale.

American Prestige. And could any background be more splendid than the position we now occupy? We went into the war and came out of it with hands clean. We fought in the interest of right and humanity, and the nations of the world credit us with just those motives. In the Far East, our history has been one of unselfishness, of friendly interest, of desire to aid without thought of trade or political concessions. The page in our relations with the Orient bears not a single blot. To be an American, to sell an American line of goods, to have the American nation back of you, represents substantial selling value in almost any market of the world.

As the Oriental Sees Things

TWO OUTSTANDING differences between the peoples of the Occident and the Orient impress themselves upon any visitor to the Far East. The first is that which commonly is observed in a visit to any foreign country—the difference in dress, in architecture, in mode of living—a difference in its aspects largely physical and superficial. The second goes deeper. It is more elusive, less tangible and yet quite as substantially existent as though constructed of concrete and iron. It constitutes the psychology of the Oriental, his manner of thinking, his mental reactions, his viewpoint if you prefer that. This more than any other factor, perhaps, has been the barrier that has warded off from Asia the changes which we consider evidences of the advance of civilization. And it may not be putting it too strongly to say that the measure of success which Americans may attain in commerce with the peoples of that part of the world will depend upon the measure in which they come to understand this viewpoint and conform to it—in other words look through the eyes of the East.

An Invisible Barrier. Naturally, this mental outlook is tempered by practical considerations. For instance, the individual, no matter what his desire might be, could not buy the high-priced article of luxury if his earnings were barely enough to supply the necessities of life. But the fact remains, other considerations aside, that a great chasm exists between the viewpoints of the East and the West. Whether our way of looking at things, our methods of business, are better or less efficient than theirs is not the question; the difference is one not of theory, but of fact. If we are to do business with the Chinese or the East Indian, we must meet him on his own ground—at least until such time as he may be ready to meet us part way.

The Unchanging East. It has been a favored saying of writers on subjects Oriental that the East changes never. This, of course, is inaccurate, as countless things throughout that vast region testify day by day. But it is true that changes have come slowly. Though China was building bridges and

delving in mathematics when a large part of the white race still dwelt in tents, only now is she beginning to emerge from her mediæval outlook. There, in India and elsewhere, customs had become crystallized into fixed traditions centuries before new ideas from the West began to come in, and for the most part these traditions still hold good.

Six centuries have passed since Marco Polo returned to Europe from his pilgrimage over Asia, bringing back his wondrous tales of the dazzling riches of the peoples he had visited. Since then the ideas of Europe have spread over most of the rest of the world, but Asia relatively has remained untouched. Even today, when the white man and his works are anything but rarities in the East, many countries remain undeveloped to any great extent for purposes of international trade. Their cities and peoples are scarcely less picturesque or strange to the Western eye than they were in Marco Polo's day. Their markets, ports and vast stretches of territory are still enveloped in the mystic charm of the unknown.

Richest of Markets. There is no question that the markets are there. A population of more than 800 millions, with a diversity of wants and with facilities insufficient to satisfy even the simplest of needs, offers possibilities of commerce unparalleled elsewhere today. A few of the countries have preferential trade agreements with nations in Europe with which they are politically affiliated, but all are on friendly terms with the United States, and all are willing to be our customers.

An American Fault. This attitude should not be misunderstood. To establish permanent trade relations with the Far East, we cannot trust to helter-skelter, hit or miss methods and expect success. Many Americans have approached the Orient in the naïve belief that the methods they found good at home would prove as satisfactory there as in our domestic business. Confident in the superiority of our way of doing things, they have expected ready acceptance of those customs by the peoples among whom they were to go. And they have been quickly undeceived. They have discovered that American "rush" is not valued in the East; that new things are not held desirable simply because they are new. The Orientals prefer that the foreigner adapt himself to their way of doing business, and the wise salesman is he who goes with open mind, prepared not to teach but to learn.

Must Win Good Will. We must be prepared to build slowly. We must recognize that the Orient and the Occident are worlds apart, even though this recognition may play havoc with every preconceived notion we have of the way commercial transactions should be carried out. Americans must seek to cultivate the friendship of the men whose business they solicit. In China, for instance, business is done over the tea table rather than over the telephone. The Eastern merchant wants time to study the foreign visitor before he invests his money in the foreigner's wares. Friendship, which includes confidence, counts for much. Once obtained it must not be abused. Sharp practice, poor packing of shipments, the sending of substitutes instead of the goods ordered—any one of these is fatal to commercial friendship in Asia. And good will cannot be retained if the just and proper interests of the customer, actual or in prospect, are ignored.

Building Confidence. The house which would do business in the Orient must prove it has dependability, that it is in the market to stay and is willing to meet any reasonable conditions. European trade has been built up there largely because the merchant who takes orders is known in the locality where he trades. His is a permanent venture. He lives among the people, studies their customs and usually learns to speak their language. Americans often have failed in these respects. They have been prone to regard residence in the East as purely transient. Only recently have manufacturers in the United States begun to realize the value of having their salesmen learn to speak Chinese and Japanese, but now steps have been taken to remove this handicap of language.

Points of View Vary. In all foreign trade activity certain fundamental principles must be observed. "Trading with Latin America" discusses the big outstanding problems in the Latin American field. These are comparatively simple. Only two nationalities are involved—the Spanish and the Portuguese, with an Indian element and a dash of negro blood on the Caribbean coast. The distance between their markets and our own is not great. Their interests and their attitude towards life and progress are not so widely variant from Europe's or our own. The Far East, on the other hand, comprises so many different races and points of view that by contrast the task of

understanding them is huge. In later chapters of this volume, the commercial and industrial customs, individual whims and peculiarities of the various countries are treated separately. For the present it will suffice to indicate some of the essentials which enter into the Oriental commercial point of view.

One Important Rule. First of all, we must give to our Oriental customers what they want, not what we think they should have. This rule, always a safe guide even in trade at home, is in the Far East of controlling importance. We may theorize as we will concerning the needs of the Siberian peasant, for instance, but, until he is made conscious of these needs by a slow process of education, he will go his way happy in his belief that "he who is content with little will not be forgotten by God." The Chinaman demands a certain kind of shoes. Whatever their absolute merit, no other shoes are so good, according to his way of thinking. And here, more than elsewhere, it is the customer's way of thinking that counts.

If a semi-civilized people want cloth of gaudy colors and combinations, that is the kind of goods that must be offered to them. It is as useless to argue with them that sober colors might be more suitable or of greater value as it would be to discuss the virtues of steam-heating with the Eskimo. The purchaser knows what he wants, and that is the end of it for him. Illustrations such as these might be cited by the score.

No Disputing Tastes. Again, national customs and habits must be considered, and foreign goods adapted to the people who are to use them and the uses to which they are to be put. The Japanese, for instance, remove their shoes before they enter a house. A moment's thought will carry the conviction that high-laced shoes hardly would prove popular among these people. Neither does it require great acumen to understand that a typewriter with a dollar key but no key to indicate the British pound or the rupee, is not a machine which will be in great demand in India or Ceylon. Yet the attempt to sell them has been made. In some Eastern countries white and purple are colors of mourning, or green and black may be considered unlucky. It would be a reckless shipper, then, who, knowing this prejudice, would wrap his goods in paper of these colors and try to sell them to peoples among whom they are taboo.

Analyze the Market. An example of catering to custom is furnished in the case of a soft drink widely sold over American soda water counters which is gaining popularity in Japan. The Japanese do not patronize refreshment stands; they are accustomed to using bottled drinks in their home. When the goods arrived, the importer, knowing his people, offered the drink in bottles. Almost from the start its sale was profitable. If a manufacturer knows how to analyze the market and combines this analysis with real selling skill, success for any product within the Orient's range should be certain.

Knows What He Wants. We must be prepared, then, to supply to the millions of customers in the Far East the goods they demand. An impregnable wall of custom and tradition arises between us and our desire to tempt the peoples by flaunting the unusual, the novel, the bizarre, before their eyes. Many of them are in a stage of evolution that promises radical changes in their habits of living within a reasonably near future. But until the adjustment is complete, any attempt by us to dictate their market requirements is in vain. Again, the Far Eastern customer brooks no substitution. He wants his favorite brand, his favorite "chop," and nothing else will do. He is disposed to accept only the evidence of his eyes and to discount your argument in favor of the "just as good."

Price Comes First. Another consideration, and a very material one, is price. The average Oriental earns little and he has little to spend. His conception of price and ours vary in direct proportion to his relative earning capacity and ours. He may choose the inferior goods, not from lack of appreciation of the better quality, but often because of necessity or because he is unwilling to exert himself to get it. The Filipino who may happen to be out for a "white-collar job" frequently scorns many of the creature comforts that we are accustomed to associate with it. The Siamese, to choose another illustration, rest in the assurance that Buddha will take good care of them in another world, and that faith atones for many inconveniences in this. It is impossible to foist expensive merchandise on a people with low purchasing power. In countries where wages rose as a result of the war, a demand followed close for higher priced goods. Elsewhere cost remains the essential consideration, finish is of secondary importance and quality often is ignored altogether.

Eastern Psychology. Finally, in the Orient we are face to face with a psychology different from our own. Things are not as they seem to us. When we say the Orientals are different we do not imply either superiority or inferiority, only that in their ordinary mental processes they are likely to begin at a different point from ours, follow a different route and reach a different conclusion.

The time-worn adage, "Human nature is the same the world over," may or may not apply to the Orient. But if we are to be reasonably safe in our relations with these peoples, we should provide a wide margin for the possibility of radical differences between even their fundamentals and ours. To illustrate; everyone recognizes that politeness is a requisite in our social code; in the Far East, it has a commercial as well as a social importance. If we expect Occidental frankness from the courteous Oriental we are doomed to disappointment. With his desire to please, he frequently intrudes upon the prerogatives of fact. In dealing with him, his standards must be taken seriously into account. Indeed, a proper understanding of his psychology and his point of view is the "open sesame" to success in Eastern trade.

Organizing for Export Trade

INVASION OF Far Eastern markets presents many serious problems to the American manufacturer. As the project involves large expenditure of money, time and effort, it requires careful advance thought and planning. Preparation at home for the filling of orders from abroad is quite as important in the long run as the actual selling of those orders. The campaign should be mapped out carefully and every angle considered before the work is embarked upon.

Decide Export Policy. To begin with, the manufacturer must adopt a definite export policy. He must determine whether he is prepared to enter the field as a serious business. The filling of a few chance export orders or the shipping of an occasional article overseas cannot be regarded as foreign trade. He must recognize that the undertaking involves the initial outlay of large sums of money before he can hope to receive a commensurate return. Unless he is quite prepared to meet these conditions, it is undesirable that he make the venture at all.

Two Courses Open. It may be that the kind of articles a manufacturer produces already are in demand in the Orient. If not, two possible courses are open to him; he may try to create a market for the line of products he makes, adapting them where necessary to the needs of the foreign buyers; or, he may begin the production of articles new to him for which a proved demand exists. In so doing, he must be prepared to study and meet the market tastes, and to conform to the needs of the people whose business he seeks. It would be time lost, for instance, to try to introduce the gas stove in Malaya or Ceylon. Likewise, the plow manufacturer need not try to force machines such as are drawn by horses in America upon a people whose draught animal is the ox or the carabao.

Selling and Credits. Whether the merchant attempts to create a market for his goods or adapts the goods to the market he finds, it is necessary that he establish a sound

merchandising policy. He must determine, for one thing, upon definite rules to promote sales and build up trade. He must also decide upon what terms he is prepared to do business with the foreign purchaser, and to do so must acquire a knowledge of credit conditions in the Far Eastern fields. During the war Americans were in position to impose terms equivalent to cash in advance, but war conditions no longer exist. Fortunately the expansion of facilities offered by large American commercial banks and the recent Federal legislation referred to in an earlier chapter, have gone far toward removing the long-time credit handicap.

Price must be Right. Most important of all, the manufacturer must have a comprehensive idea of price conditions, to determine whether he can market his products at a profit. Trading with remote fields involves a much greater expense; yet, unless the price of the goods can be adapted to the buying capacity of the country to which they are sent, failure of the venture is certain.

Selecting a Market. In selecting a territory, it may be well not to attempt to cover too wide a field at the start. The Far East is so vast in extent, and the needs of its many peoples so variant that only articles in universal demand can be marketed profitably in all. A man who cannot do business profitably in India or Siam may find an excellent field in China or the Philippines. The selection will depend on the nature of the product and conditions in the foreign country. Each country should be studied separately, as the requirements of no two are alike and all differ widely from the requirements here at home. Where a demand for a given article already exists, its extent usually can be gauged by the amount of sales in that country. This at least indicates what one's prospective competitors have been able to accomplish there. The progressive exporter, however, probably will want to go still further. He will want to know the possibilities of extending sales of his product—or, in the case of new goods, of developing a demand for them.

Two Ways of Selling. Both direct and indirect sales methods are employed. Indirect selling facilities are provided by native establishments which act as agents and by commission houses. Because of the language barrier, selling

through native middlemen has been developed widely throughout the Far East. Even manufacturers who have their own branches abroad make use of native mercantile ability to a degree not found elsewhere. From this condition has grown the comprador system. The compradors are familiar with the money market and with credit conditions and usually assume all risks in commercial transactions with foreigners. A tendency to break away from the comprador system has been shown by some large houses in recent years, but it still retains a powerful influence in many lines of commerce. (The place of the comprador in Oriental trade is discussed in greater detail in the chapters devoted to conditions in China and India.)

Export commission houses, whether domestic or foreign, generally have the advantage of good organization and machinery to conduct transactions abroad with a minimum amount of trouble and expense to the exporter. One of the chief functions of the export commission house is to finance shipments where immediate payment is desired. (The nature of their operations is described in the chapter on The Value of Export Commission Houses.)

Selling Goods Direct. Direct selling has come to be regarded as virtually necessary where competition is keen. American business men are adopting this method more and more where they find it inexpedient or unfeasible to work through commission houses. Germany before the war demonstrated the value of direct sales methods. The Japanese, in selling in China, are sending their own men into the field to establish firsthand contact. China's influence in many of the markets of Southern Asia, is due to the fact that her merchants have made these countries their homes.

Agencies Employed. Direct sales are promoted through correspondence, traveling salesmen, resident American agents and branch houses established at strategic marketing points. The correspondence method requires the minimum outlay of initial expense, but returns never can be large through this means of reaching a customer who, even under most favorable circumstances, is difficult to approach. Here, most of all, enters the handicap of language. The problem of presenting sales arguments to remote customers by this method involves difficulties almost insuperable. The other methods cited involve heavier

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expenditure but are especially useful when there is promise of extensive development of trade. The costly procedure of establishing branch houses, an experiment undertaken by several large American concerns, has yielded rich returns in almost every case where it has had a thorough trial.

An Export Department. To select and co-ordinate the various selling agencies which may be used in the Far East and to put into effect the policies which must govern them, an export manager and an export department are essential. Many houses which have sought to carry on business overseas without formulating policies and organizing their routine have learned by experience that even minor errors are costly when the buyers are 5,000 or 10,000 miles and two or three months away. The factor of distance and the inevitable delays, disputes and money losses involved in the adjustment of mistakes put a premium on absolute accuracy in carrying out the instructions of the customer. Shipments must go through custom houses, the rules and requirements of which vary in the different countries. With these requirements the customer is familiar and the shipper frequently is not. Certain documents, prepared in a certain way, must accompany the shipments; if these formalities are not faithfully complied with, the exporter in the long run is the loser.

Operate Separately. For these reasons the office, factory and warehouse ends of exporting should be separate from domestic departments. There always is danger that important details may be slighted if they are left to the office and factory employes who receive, record and execute domestic orders. Especially is this true if the employes are antagonistic to foreign business, because it multiplies the decisions and regulations they have to remember, and thus hampers the smooth flow of domestic orders and deliveries.

Good Way to Start. The best way to avoid such a situation is to delegate in the beginning one man to look after the handling and shipment of foreign orders, and to hold him responsible for exact compliance with the conditions named. The volume of orders is not likely to be large at the start; by lifting them out of the domestic routine and putting them in charge of one man, they can be put through the office and factory machinery

with the minimum of risk and friction. This first man of a new foreign department should not be chosen at haphazard. He should be the best available candidate for one of the "key men" positions in the department when it shall assume size and importance. He may be the man picked for the post of manager later; he may be a likely young salesman who can be developed as an overseas representative; or he may be the order or shipping clerk selected to be the "right-hand man" and detail assistant to the experienced export manager who is to be sought outside the organization. Whoever he is, this first man should become an important member of the permanent export staff; the training he will receive in his contacts with department heads is too valuable to be wasted on anyone except a potential salesman or executive.

The Export Manager. As a foreign department develops, it should be organized carefully. The manager should have positive authority over all matters relating to foreign business. Instructions issued by him, after discussion with other department managers, regarding the execution of foreign orders, the labeling, weighing, packing, shipping and billing of products, should be imperative. Unless this policy is adhered to, a conflict of authority may arise which will harm the efficiency of the business. In the early months at least, the volume of export business probably will seem insignificant to executives all along the line, and if the slightest latitude is allowed, they are likely to ignore or sidetrack affairs of prime importance in the upbuilding of overseas trade.

Experience an Asset. If the export manager is brought in from outside, his basic qualification should be success in the conduct of such a department elsewhere or success in selling goods not unlike yours in the Far East or other foreign parts. Experience of the one kind or the other is invaluable. At the very least, he should have a business viewpoint broadened by contact with peoples other than our own and considerable concrete knowledge of the countries he will have to serve. That he should know the Far East at firsthand is not an absolute essential. America's export opportunities take in Latin America, Africa, Europe and the Near East as well as the Orient; and an export department should have them all at least under observation. The vital consideration is that he should bring a foreign trade view-

point to the aid of the general management in the shaping of an adequate export policy and program. Ability to plan an export campaign and direct and stimulate the activities of his home force and his overseas salesmen, of course, is essential.

Why Vision Counts. Apart from these technical qualifications, the broader the manager's knowledge of foreign countries and foreign affairs, the greater is his efficiency in anticipating and providing for emergencies. If possible, therefore, he should be a man of vision and discernment, since trading conditions in the Far East are likely to be affected for many years by racial, social and political developments.

Of Wide Information. Whatever his experience or whatever the special qualifications required, the man in charge of the home office should be able to furnish general information on all subjects related to problems involved in foreign trading. This requires a general background of information regarding the social conditions and ethnology of the countries with which he does business, the history of their governments in its bearing on the commerce of nations, something of physical geography, financial international relations, foreign trade practices and general principles of commercial law.

Foreign Trade Policy. Any export policy, of course, must look to the purposes and standards of the house no less than to conditions overseas. For this reason frequent conferences between the export manager and the general manager are desirable—in fact, the task of adjustment usually involves in the conferences most of the office and factory executives. The general export policy, indeed, should be a subject for constant discussion and exchange of opinion. The war opened new vistas in commercial as well as diplomatic relations between peoples, and the countries and concerns which are pioneers in exploring and solving the new problems are certain to take the lead in international trade.

Selling Goods in the Far East

AMERICANS HAVE proved that sound selling methods based on principles which are successful at home will succeed in the Far East, and elsewhere abroad, if reasonable allowance is made for differences in personal habits and social and religious conditions. This has been demonstrated forcefully by intensive sales methods of the familiar Yankee type in the creation of markets in the Orient both for articles classed as necessities and those of distinctly non-utilitarian value. Despite the influence of racial conservatism and a generally low buying power, the Chinese, Japanese and the East Indian have yielded to the logic of carefully planned promotion campaigns. Advertising, demonstration and personal salesmanship have added one after another necessity or luxury to the list of the Far East's purchases.

Some Methods Costly. Such intensive campaigns cost money—too much money unless the demand created is of a continuing character and part of the heavy initial expense can be distributed over several successive seasons; too much, in any event, for most merican houses to undertake independently. To introduce a brand of chewing gum in China and Japan cost something like a quarter million dollars and required the services of a specialist who knew circus methods of sales promotion and had an intimate knowledge of Oriental psychology. For the manufacturer or merchant who wants to make a less spectacular entry into the Far East, there are various selling agencies which, alone or in combination, make possible a thorough try-out of his products without exceeding a reasonable expenditure.

Many Selling Agencies. Some of these agencies have been in common use for years. They are trade mediums the individual worth of which, in their own particular fields, has been tested and proved by experience. Others are comparatively new, at least to Americans, or of limited applicability. Of the newer agencies are the parcel post and combinations of manufacturers or distributors for export business permitted under the Webb-Pomerene law. For specialties and patented appliances

of various sorts, mail-order business has been developed to a considerable extent in some markets through parcel post delivery. But the limited range of our present parcel post conventions in the Orient has restricted the value of this method largely to sales direct to the ultimate consumer rather than to the regular supply of trade. (This service is discussed in detail in the chapter on Parcel Post as a Trade Carrier.)

Export Combinations. The Webb-Pomerene law was created by the necessity of Americans to meet strong foreign commercial combinations under equally favorable conditions. Since its enactment many combinations of manufacturers and distributors in various lines of trade have been formed. Such organizations should be particularly effective in the investigation and exploitation on a large scale of undeveloped markets of the Far East. If intelligent effort and a quarter million dollars can create a demand for an article so far from necessity's beaten track as chewing gum, surprising results should be obtained by campaigns to promote articles of general usefulness when financed by groups of leading manufacturers and directed by their accumulated sales experience.

Time Tried Methods. Of the various time-tried agencies open to the American company or firm which prefers to approach the Far East market on its own account the following may be mentioned: Branch houses of the home concern established at strategic market points; traveling salesmen who are personal and exclusive representatives; combination traveling salesmen who represent several houses in allied lines—an arrangement which furnishes on a small scale some of the advantages of the export combination; resident general agents for entire countries like Japan, China or India, or for the entire Orient; resident local importers, who may be either wholesalers or retailers—or both—according to the nature of their stocks; export houses which buy and distribute abroad merchandise for their own account, and export agents or commission houses which may represent a number of manufacturers.

The Branch House. Establishment of direct contact with the customer is so characteristic of American sales methods, and in the main has proved so efficient, that when

business men look beyond the seas their first thought naturally is how this can be accomplished in the foreign country. Some concerns with staple or standardized products, or with an article which responds to a widespread demand have organized branch houses in leading commercial centers in the Far East, from which their sales in that part of the world are directed.

Pays in Big Trade. The branch house is the most expensive method of direct selling abroad, but in the long run is apt to prove the most profitable if the business is on a sufficiently extensive scale. Its location must be decided upon carefully, and a trusted representative should be sent to investigate the countries, the nature of their trade, their tariffs and so on.

A Separate Concern. A representative branch house in Yokohama or Shanghai has its own office and selling machinery and its own warehouses. It carries its own stocks and is operated as a separate undertaking. In some instances it even has been found necessary, to meet the competition of other nations, to establish branch factories as well. Where customs duties on raw materials are lower than the tariff on manufactures, it will be seen that this has an economic advantage of great value.

One Big Advantage. The directing head of such a concern should have a wide experience in the field assigned as his territory, and his staff, so far as possible, should be composed of men with a similar commercial background. The selling organization can be built up slowly as trade warrants. One big advantage of such a system is that the business always remains under one's own control while the market is being learned and developed.

Exclusive Salesmen. The initial expense of establishing a branch house is so great that none but firms or corporations of exceptional financial strength are prepared to assume it. Most merchants in contemplating trade beyond the Pacific think first of representation through the traveling salesman. There seems no question that the exclusive representative is a most effective selling agency when the volume and the value of the potential business are great enough to warrant his employment and when the salesman himself is the right man for the job. But it is a mistake to put all one's Far Eastern eggs in the salesman's basket.

Balanced Sales Plan. A comprehensive and balanced selling plan should take into consideration the conditions peculiar to each country or each local market center, and that combination of agencies should be adopted which will distribute the greatest volume of goods at the most favorable prices and with the least amount of risk and friction. The Far East is not one huge market which can be treated as a unit. Temperamentally and economically the Chinese, the Filipino, the Japanese and the natives of British India are different peoples. To adopt a standard policy for approaching all these groups means a serious sacrifice of sales advantage to home office routine.

Need Flexible Policy. It is necessary to have an export policy and it is wise to avoid complexity of methods for the sake of the home organization. But that policy must be flexible enough to adapt itself to the national characteristics or commercial customs of each country, if the line of least resistance is to be found and followed. If possible, the traveling representative in the Orient should have the kind of experience and judgment which will enable him to size up each city and country he visits and determine without prejudice which is the most effective plan of distribution. The recommendations of such a man should be adopted and observed. This does not mean that the manager of the export department should not have full authority in determining policies and methods. He should; but the experienced export manager and the capable traveler rarely will clash on any important point.

Combination Salesmen. Because of the relatively small volume of sales, the expense of maintaining an exclusive traveling representative in the Orient is prohibitive for producers in many lines. To such the combination traveling salesman offers a means of providing the direct representation which is essential at least in the introductory stages of a selling campaign. The success of the plan depends a great deal on the choice of the associated producers. The associates should be in non-competing yet kindred fields. If possible, the various products should be salable to the same class of distributors. For instance, one man could represent manufacturers of newspaper, printing ink, printer's furniture, type, presses, etc. With such lines, the salesman can save time in making appointments.

No Waste of Energy. If the traveler must sell one of his lines to a machinery importer or user, another to an importer of agricultural implements and still other items to dry goods or drug houses, he will dissipate so much time and effort obtaining interviews with prospects that he will be very likely either to fail or to neglect the more difficult of his lines. There are many successful combination salesmen who make regular yearly tours of the Far Eastern markets and serve their principals in most satisfactory fashion. But they are all men who have regular customers in each city they visit, and no reasonable inducement would prevail on them to add to their lines products which would have to be sold to entirely new groups of distributors. Sometimes these salesmen have authority to appoint permanent representatives for one or more of their lines who can follow up his work, keep in touch with the local trade and look after repeat orders. Sometimes a group of manufacturers have obtained good results by sending a joint special representative who stays permanently in the Far Eastern field.

Some Real Advantages. If the combination salesman is adequate to your program, the advantages of employing him are obvious. By sharing expenses, traveling and living costs can be cut to a point where the salesman's salary can be put at a figure which will command the highest grade of competence and efficiency. The saving in the salesman's time is great; between steamers at many ports, it is possible for him to sell six or eight lines of products. Frequently he will be able to place many of his lines with each customer he calls on. A second advantage enters here because the buyer frequently can make up a combination shipment and thus obtain advantageous rates.

Makes Trade Possible. The most important value of the combination salesman is that he has made trade in the Far East possible to many American manufacturers who might hesitate to "go it alone." It must be recognized at the start that a joint salesman cannot be hampered by conflicting instructions from his associated clients or employers. Someone must assume the task of co-ordinating and reconciling the various interests and preparing a plan which shall give to each member his rightful share of the salesman's time and efforts. If this proves too difficult, it signifies that the group has not been properly con-

stituted. The remedy is the withdrawal of the member or members whose interests cannot be reconciled to the general plan.

Expense Pro-rated. The question of expense should be settled in advance and a pro-rated division agreed upon to prevent misunderstanding. Because a combination man will do his best under the same sort of guidance and sales assistance as an exclusive representative, one of the associated firms should assume direction of his movements and actions—serving also as a clearing house for all instructions and communications from members of the group. Otherwise, the representative overseas might find correspondence with his employers about local conditions affecting their individual products and other selling and advertising problems a burden too heavy to be borne.

Make Trips Yearly. The purpose of both exclusive and combination salesmen is the same—to establish connections in the principal ports and cities of the Orient and then to make at least annual rounds of all their customers to show new goods, to cultivate closer relations and to adjust differences which may have arisen since their previous visit. Many travelers find it advisable to break up their sales routes into circuits—including, for example, the ports on or adjacent to the Yellow and South China Seas—and to swing around this circuit a second time before going on to the next zone. Where this is done, the Far East trip and the return journey will leave the traveler no more than enough time in the United States each year to see all his employers, get his samples together, go over his prices and instructions and prepare for the next voyage.

Partner vs. Salesman. There are hundreds of American manufacturers whose products have been so standardized that an annual trip is not necessary. The main objective, in such cases, is to establish solid connections first, depending afterward on correspondence and occasional visits of partners or officials to keep the connection alive and profitable. In many industries this is the most economical course, in some lines the most effective. Not only does the official's prestige command consideration from the men whom he visits; the fact that his house is taking Far Eastern business seriously is attested by his presence, and Far Eastern importers like to be taken seriously.

In addition, his knowledge of the business and his authority to make decisions give him a great advantage in negotiating.

Appointing Agencies. Such an official may find it sufficient to select and make contracts with responsible importers at six or seven ports like Hong Kong, Nagasaki, Manila, Batavia, Singapore and Calcutta, depending on these general agents to effect distribution of his goods at lesser ports along the way. Or he may carry his trade survey to the principal port of every country and district and establish a connection with an importing house at each place. His function here differs from the salesman's only in purpose. The salesman's objective in each city is the largest house of good standing and the largest order which that house will give him. The partner, on the other hand, is looking for that importer, large or small, into whose lines his own products will fit without competition or submergence, and who can be depended upon for re-orders.

Adjusting Policies. The policies of the average American house, too, need adjustment to Far Eastern conditions at so many points that an official's judgment and authority are peculiarly advantageous in working out the details of representation; the salesman, by training and practice, is more or less opposed to any arrangement which eliminates him from the selling scheme. As already suggested, the general agent at trade centers is nearly always an importing house which has its own salesmen out on well-defined routes, while the local agent may be either a wholesaler or a retailer with a particularly responsive clientele.

Bases for Dealing. In either case if the manufacturer expects to do a profitable business he must take into consideration the viewpoint and interests of the agent. An agreement must be made as to whether the agent is to buy outright, receive consignments or handle orders on a commission basis. If he buys outright, the agent can expect no great profits at first, but if there is a demand for the product he will win out in the long run. Selling will be slow until the article becomes popular. If the goods are sent on consignment, the percentage of business is likely to be greater than if the agent buys outright, as his cash outlay is less and he consequently can afford to lay in a larger initial stock. Under such an arrangement the manufacturer assumes the burden

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of risk. If the goods are sold outright, on the other hand, the risk falls upon the agent.

Protect the Agent. As a matter of self interest as well as fair dealing, the manufacturer who places the sale of his product in the hands of an agent should protect the agent. If goods are sold direct or by others in the agent's territory, he should make an allowance to the agent. He should be prepared to allow the agent a fair profit, and if he is to get good results he must expect to support the agent and assist with advertising and in other ways. Precaution should be taken against giving the agent a territory larger than he can cover effectively, and the agent should not be permitted to register the trade-mark in his own name. Agencies sometimes are granted by correspondence, but such a step should be taken, if at all, only after careful investigation. It is considered advisable, where conditions permit, for American manufacturers to choose American agencies to handle their goods; such a policy prevents other nationalities from obtaining data on prices, trade methods and patent secrets and also avoids the danger that a foreign agent might give preference to competing products from his own country. In any event the manufacturer should be wary of any dealer who handles a competitor's goods.

Using Export Houses. As a group, the selling agencies outlined have the common advantage of allowing the producer to maintain direct relations with the overseas distributors or consumers of his goods. There is another group which eliminates these direct contacts, but which frequently offers him an immediate foreign outlet for his products and takes over the responsibilities of credits, shipping and financing, correspondence and all the exporting details which bulk so large to the manufacturer without experience in foreign business.

Buy and Sell Abroad. American export houses are in business on their own account. They buy their goods from whatever sources supply that balance of quality, utility and price which their overseas customers want. To the latter they stand in the same relation as the large domestic wholesale house stands to its retail customers. They are willing and eager to add any new product to their price list for which a demand has been created in the Far East, and to bring new classes of merchandise

to the attention of their clients. They will distribute catalogues and samples among possible buyers, will write letters recommending the goods and will give the services of their local agents. In return, they expect protection and a fair return for their efforts. To the article which merely duplicates in another form something they already have in stock, they usually are indifferent unless there is an advantage in price or some extra utility is apparent.

Aggressive Merchants. These export houses are keen merchants; they know their markets and they are on the lookout always for merchandise which for any reason is likely to be more attractive to their customers. Dealing with them, the producer's export problems are reduced to their lowest terms; the transaction usually is as simple as the filling and shipping of a domestic order. Not only do they look after all the routine requirements of shipping; by assembling orders and forwarding in quantity, they are able to obtain cargo space without difficulty and the best shipping rates.

The drawback is that their interest in a new product is gauged largely by the foreign demand for it or the prospect of such a demand. The vital selling function, therefore, remains with the producer. And the producer has no direct contact with the customer unless he takes on this selling function and continues to exercise it by means of general or direct advertising, or by sending a demonstrator or salesman to reinforce the efforts of the commission merchant. If he has his own salesmen overseas, the export house orders, of course, are analogous to orders received through jobbers in the domestic field.

Commission Houses. The export commission house, on the other hand, is organized to act as the manufacturers' selling agent in the Far East and elsewhere abroad. Compared with export merchants they are specialists in that they usually limit the lines they represent to those which appeal to the same class of buyers abroad. This is an elastic limit in the Far East and the part which commission houses play in our foreign trade is so notable that a brief chapter elsewhere is given to explaining their functions and methods. (See Chapter on The Value of Export Commission Houses.)

Sometimes it is hard to draw the line between the export commission house and the export agent. Both the commission

house and the export agent work in close co-operation with the manufacturer, their remuneration depending on the volume and the satisfactory character of the sales. One other figure of possible utility in the producer's export program is the export broker whose business it is to match the offerings of American manufacturing or merchandising concerns against the wants of importers in the Orient who maintain branches or buyers in the United States.

Foreign Export Firms. Still another selling agency which flourished in trade before the war was the foreign merchant at shipping centers like London, Paris or Amsterdam, who imported such American goods as their customers needed or would absorb and re-exported them to their connections in the Far East. It is hardly probable that American houses ever will revert to the former practice on a large scale. In the old days, German houses at the free port of Hamburg exploited this re-export trade in characteristic fashion by replacing all marks of American origin with their own marks. The overseas buyer thus was kept in ignorance of their source, and was prevented from applying to the original producers for his next supply.

Co-ordinate Agencies. Here, then, are the commoner selling agencies which may be employed alone or in combination in Far Eastern trade. From the export merchant or commission house up, they may represent successive steps in the development of an export business, or they may be the various units which a well-organized export department uses simultaneously to insure the widest practicable distribution in the Orient. To co-ordinate their fields and functions and to prevent conflict and ensuing difficulties requires a fairly accurate knowledge of overseas conditions and no small degree of managing ability. It follows, therefore, that the house which proposes to embark seriously on export trade must center authority and responsibility in a competent manager and an adequate staff.

Advertising a New Force in the Orient

ADVERTISING HAS a function to perform in introducing American goods to the Far East of much greater relative importance than it has at home. Because of the language barrier and the obstacles of differing viewpoints and modes of thought, the process of selling our products to Asia's millions through personal salesmanship alone would be almost interminable and beset with countless difficulties. In the meantime, other nations, better equipped than we in experience and personal relationships, are resuming the work of trade exploitation. Unless the great selling opportunities now presented are grasped at once, we must surrender our chance to those who are prepared to take dvantage of them.

Blazing Sales Trails. It is here that advertising comes to the salesman's aid. It multiplies his spoken word ten thousand or a million times. It reaches places he cannot go and is seen by great numbers of persons with whom he could not hope to come into personal contact. Intelligently prepared, it both overcomes the language obstacle and bridges the chasm between the mental viewpoints of the West and the East. It provides a short cut in demand-creation. Badly done, it fails to reach its mark, and may even harm the article it seeks to sell.

How Americans Excel. American advertising men have demonstrated resource and ingenuity in many fields, but the problem of educating 800,000,000 prospects in the Orient will be hard to solve even when it is taken seriously. Certain tendencies and standards in American advertising, however, suggest easy adaptation to the Far Eastern field. In the widespread use of illustrations which tell the selling story simply and convincingly, advertising in the United States is far ahead of Europe. In beauty of design, the French and Germans before the war frequently surpassed us, but in showing how the product is used and in building up the impression of utility, service and satisfaction in use, American advertising illustrations have long been without a rival. Since pictures are a language understood

everywhere, this faculty of dramatizing the selling story in black and white or color gives American producers a ready-made selling force which can be applied in the Orient effectively and at once.

The Native Viewpoint. It would be stupid, of course, to plaster a Chinese or Japanese town in posters designed to sell goods in Boston or Bangor—that is, unless both posters and cuts presented the product alone without background or selling talk. But the original idea of suggesting by pictures how pleasant and serviceable the product has proved itself to others can be adapted to market-making anywhere. The habit of the American advertiser, too, of analyzing his product from the customer's angle and presenting it as the answer to a recognized want or desire, can be transferred bodily to a Far Eastern campaign. The analysis, however, must be real and the appeal based on an actual, not an imagined want.

Must Keep at It. There are many pitfalls to be avoided. Some manufacturers have "gone after" immediate results by heavy advertising campaigns. When the results have failed to materialize at once, they have become discouraged and have turned their efforts elsewhere. To be of any value, advertising in the Far East must be continued long enough for the trademark to become impressed upon the most conservative. Others have suffered from advertising badly translated or prepared without understanding of the people to whom it is to appeal.

Promotion Campaigns. American methods of backing up formal advertising and selling efforts with intensive campaigns, including demonstrations of the product, moving pictures and even "medicine man" shows, may lend themselves to the work of demand-creation in the Orient. Window guessing contests have proved as popular in some Far Eastern places as they have in American cities and towns. Advertising with calendars, paper weights and fans also has brought good results. Particularly in China is the advertising calendar prized. The Chinese merchant wants it for his office, the coolie for his home. In the dwellings of the poor Chinaman the interior walls sometimes are covered with calendars of different design which date back for years. Block calendars in Chinese characters, with Chinese figures in the background, also are much in demand.

Street Show Methods. In an earlier chapter, allusion was made to a successful campaign to introduce a popular brand of chewing gum in China and Japan. In this instance, the appeal was chiefly direct to the consumer by posters, canvassers, sample crews and lecturers with street shows such as spread the fame of Indian remedies in every village of the Middle West twenty years ago. Everywhere the trade-mark was featured.

Careful in Spending. Despite his reputation for conservatism, the Japanese, Chinese or East Indian seems to make definite response to American promotion methods when the product satisfies a want and the appeal is intelligently made. Any sales plan must take into account both the need of the people and their generally low buying power. It is of no use to try to force woolen caps with ear-tabs on the native of Ceylon. Neither is it worth while to advertise automobiles to the coolie or poor farm laborer. The Chinese, as a rule, insists upon his favorite trade-mark or "chop"—whether buying cotton cloth or tobacco. He has a certain amount of money which he can apply to a certain purpose; he knows that with this money he can buy a certain amount of pleasure or service. Why, he reasons, should he spend his money for an article which may make him a smaller return than he is accustomed to get for that amount?

Reserve Giving Way. To an extent this mental attitude has begun to disappear—in part as a result of advertising, and in part because of a state of greater affluence in the last few years. The Chinese, to continue the example, is slow to absorb a new idea. But fit the product to his needs, demonstrate that it has a definite value to him, and he is most likely to add the new "chop" to his buying commandments. Thus a great American oil company widened the market for its kerosene by providing and selling at cost hundreds of thousands of baby lamps whose tiny flame was not too great a tax on the Chinese coolie's pay. And an element in the chewing gum success was the readiness with which packages could be broken and single sticks cut up into fractions.

Aims of Advertising. As with domestic publicity, the main purpose of foreign advertising is to create a demand for the goods. While the primary object is to stimulate inquiries or actual orders, the secondary object—that of keeping

the advertiser's name before the public—must not be lost sight of. Advertising prepares the way for the salesman by introducing a product or brand and opening the way for him to enter and sell goods, but its real mission is not accomplished until the trade-mark or brand has been completely and permanently established in the market. This alone spells ultimate success in the Far East.

"Chop" is Invaluable. An established "chop" or trade-mark is an invaluable asset. In China, for instance, it is regarded almost with veneration. Coupled with the trade-mark usually appear one or two Chinese characters which express a selling argument or appeal. These taken together—the trade-mark and the Chinese characters—make an indelible impression on the consumer. They are something he can visualize. Once he has found satisfaction in the article which they represent to him, he invariably will ask for that article and no other.

Care in Selection. As a rule, trade-marks which are to be used in all countries should be chosen with great care. Symbols, pictures or uncommon configurations, when cleverly devised, are generally the most acceptable marks for export purposes. Certain animals and parts of the human body, such as the head or a foot, are universally known. If animals are chosen, the tastes and antipathies of foreign peoples should be considered. For instance, the dog is a much despised animal in most countries of the Far East; the dragon is sacred in China and the white elephant in India; while to the natives of India a picture of a lion or tiger suggests persons they possibly have known who have been slain by beasts of prey in the jungle.

Must Plan in Advance. Any advertising campaign should be carefully mapped out and its probable effect upon the public considered before the program actually is put in operation. An advertising policy that may advance the sale of one article may prove entirely inapplicable to another product.

Three Buying Groups. In any market study of the Far East, either as a whole or as individual countries, it early becomes evident that three sharply defined classes of buyers exist in every state and community. First comes the foreign colony—officials, merchants, bankers, engineers and pro-

fessional men of European or American origin. Next is the native governing class, aristocrats, officials, landed proprietors, rich bankers, merchants and producers. Finally there is the great mass of the common people, ranging down from civil employes, retail merchants and skilled craftsmen, to the coolies and ryots whose labor in many places is cheaper than horse power.

Class Lines Merge. In their buying, the three groups overlap at the margins. The rich native may have an extravagant motor car while the manager of the English branch bank may be content with Detroit's cheapest. Both may share possession of a popular phonograph with a music-mad native silversmith. But even when an American manufacturer has prospects in all these groups, he will find that his most effective advertising approach is not through the same mediums voicing a common appeal—except, perhaps, in the case of outdoor advertising and picture films, which are within the understanding of all.

The Export Journal. In approaching the foreign colony, most of whose members speak or understand English, an exporter has at his disposal nearly all the methods he would use in domestic business. Among mediums the export journal ranks first because of its wide and select circulation, its accessibility and the service it offers in preparing advertising campaigns. As a rule, the export journal reaches the more important buyers wherever it circulates. Compared with Far Eastern newspapers, whose appeal frequently is local, it is a less expensive medium to use and brings relatively greater returns.

Over-seas Newspapers. Second on the list comes the overseas newspaper which is printed in English. Some of these journals have wide influence, and because they are spokesmen of the foreign colonies, any advertisements they print are likely to command attention. Advertising in strictly local newspapers should be undertaken only upon advice of some advertising agency which specializes in Far Eastern publicity. Trustworthy concerns of this nature are established in Japan, China and other of the Eastern countries.

Direct Advertising. Direct advertising offers another and important means of reaching English-speaking prospects in all parts of the Far East. Circulars and catalogues

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can easily be adapted for use in the Orient. The language handicap does not exist and the problem of correspondence is only a little more serious than with prospects in Arizona or Saskatchewan. Not a few American distributors, indeed, have found English-speaking residents in the Far East very responsive to direct selling effort directed at their individual needs. When they are large-scale buyers for resale or for use in the establishments which they control, the task of persuading them is more difficult. In preparing the way, however, for the visit of the salesman, direct advertising and personal letters can be of great value.

Vernacular Press. Looking beyond the foreign residents at trade centers and the scattered American and Englishmen at ports of call, the problem of advertising is complicated by the necessity of using an alien language. To determine the value of the newspapers in the vernacular requires a special knowledge, not only of the size and character of their circulation and commercial conditions in general, but also an acquaintance with the political and social conditions in the various countries. Direct advertising, for the same reason, demands the attention of a specialist. It is quite true that a certain quota of orders may be obtained from almost any country in the Far East by means of direct advertising. Particularly does this apply in the case of articles of personal utility or convenience. But this haphazard gleaning from many fields is only a measure of the harvest which might be reaped by intelligent and systematic effort.

Hard to Reach People. For the manufacturer whose products are such that he must appeal to the third and largest buying class—the common people—the mediums at disposal are relatively few. The percentage of illiteracy outside of Japan is extremely high; yet the circulation of native newspapers is not indicated by the actual number of copies issued. Chinese, Japanese and Indian newspapers all are sold and resold as long as they hold together, reaching their final owners and readers several days or even weeks after their publication. Advertisements as well as news and editorial comment are read and discussed at length. Even the coolie who hardly knows one Chinese or Japanese character from another gets an echo of the information which his more literate neighbors have gleaned from their second-hand news sheets.

Appeal in Pictures. In appealing to this third buying class, as well as to the more fortunate upper classes, outdoor advertising has been successfully used. Posters and painted signs and electric displays, if well designed, are quite effective. Throughout China, for instance, bill posting has been used to great advantage. The walls of buildings are used as billboards. Huge picture signs frequently are painted on them and "he who runs" may read advertising of this kind. In Japan, electric signs are in great favor and many streets in Oriental ports are almost as gaily decorated as are those of our lesser cities in the United States.

Circulars with Goods. Advertising wrappers on the articles sold often bring good returns. One big soap manufacturing concern in the United States which makes large exports to the Far East, prints an advertisement in Chinese characters on the wrapper around each cake of its product which goes to China. Other concerns put in each box or case of articles bound for China a circular advertisement printed in Chinese, frequently written by Chinese students at American universities. Novelties and samples, unless they are distributed direct by sampling crews, have the disadvantage frequently of not reaching prospects under favorable conditions. The native merchant, instead of distributing them free, is quite likely to sell them and charge exorbitant prices.

Stick to the Truth. In the preparation of copy the advertiser should tell the plain, unvarnished truth. Exaggerations will work to his ultimate harm. The Far Eastern customer demands that the goods he buys be exactly as they have been represented. Once his confidence is lost, it can be regained only by great effort if at all.

Care in Translation. One great difficulty to the American who advertises in the Far East is that of delivering his message in acceptable form to the buyers he is trying to reach. Foreign advertising frequently is butchered in translation and such work should be done only by persons familiar with the language and its idioms. Ignorance of the finer shades of meanings of words and phrases may result in shocking or offending the

reader or saying more than is intended. Caution should be exercised in the selection of cuts and labels. Local advertising agencies also can be consulted here to advantage.

Value of Catalogue in Far Eastern Trade

THE CATALOGUE has distinct and important functions in any extensive sales campaign in the Far East. It may be used to reinforce the efforts of the commercial traveler by creating prospects in a field that has not been worked; as a method of getting business through export houses; as an aid to foreign importers, or in long range selling direct to the consumer. For a house with a lone line of products or several lines which are distributed to mercantile houses for resale or shipped direct to large users, the catalogue is even more of a necessity in that part of the world than it is in the United States where salesmen make frequent calls and communication by mail or wire is swift and easy. In obtaining re-orders after a connection has been established, it is a prime essential in Far Eastern trade. Even when it is sent out at random to be filed at United States consulates, it frequently makes contact which can be developed into worthwhile accounts.

Long Range Salesman. Success through the use of catalogues depends upon the care exercised in their preparation and the manner in which they are distributed. In preparation, the thought which should be kept always in mind is that the catalogue is to be a salesman. In many cases it gives to the prospective customer his first introduction to the goods. It must tell him what the goods are and must explain their good points in language which will attract his interest. The compiler should put himself in the buyer's place; he should assume that the buyer knows nothing whatever of the goods that are offered. Every possible selling argument should be used.

Pains Well Repaid. In many cases the house is judged by the catalogue it sends out. A handsome and complete catalogue at once gives the house a place in the foreign dealer's esteem. Some American catalogues, because of misleading statements, poor translations and goods that do not correspond with the illustrations have been boomerangs to the manufacturer. In certain lines, particularly novelties, catalogues alone have

proved remarkably effective. Some firms do a business of considerable size with no other selling medium.

So long as the descriptions are in English, the cost of preparation is by no means excessive. If the appeal is to native consumers or merchants, and not to importing houses, the problem of adapting, translating and distributing the catalogue must be solved. To many native buyers, a page full of technical terms or mail-order English merely confuses the impression he might get from the illustration and price alone. Translation into the vernacular or circulation among English-speaking prospects are the only profitable alternatives.

Care in Translation. The task of translation is highly technical, and difficult, but if the catalogue is to be used by native customers, it is a task that must be performed. The work always should be done by one familiar with the country and the customs of the people. Some American concerns have been known to send to China catalogues in Spanish which they had prepared for South America. Of course, no trade resulted.

Illustrations Help. Illustrated catalogues make a forceful appeal in every market, but especially in the Far East where the people are less advanced. To many a description of an article they have never seen, no matter how clear it be, is hardly sufficient to create a strong motive or desire to buy. If the illustrations are clear, attractive and artistic, they enhance the value of the catalogue. They should be simple, eliminating as many details as possible to emphasize the selling message.

Want Exact Facts. Descriptions must be accurate. Superlatives should be omitted, and as in advertising, misleading statements are worse than useless. The prospective customer in most cases knows nothing whatever about the article listed. If his interest is stimulated to any degree, he will want to know its exact size, its weight, color, shape, finish, or whatever other qualities it may possess.

How to Quote Prices. Where possible, prices should be quoted c. i. f. or at least f. o. b., New York (see chapter on Selling and Shipping Terms Defined). The buyer wants to know what the article he purchases is going to cost him

by the time it is delivered at his door. American catalogues should quote prices not only in American gold, but in the currency of the country to which they are sent. Trade discounts should be on separate slips. Some manufacturers do not quote prices in the catalogue itself, but send them in a separate booklet or folder which is kept up to date. This plan makes possible the general distribution of the catalogues without risk to the trade. It also makes unnecessary the frequent publication of new editions to reflect price changes.

Use Metric System. In giving measurements, the metric system as well as the English should be used and the exact net and shipping weights given. A list of code names for every article mentioned will facilitate orders by cable. All catalogues should be indexed. Some business men use a "sectional" catalogue. This describes a given class of goods or group of styles. It presents intensively the range of goods in which the prospect or customer is interested. The "loose leaf" plan also is used, and notice of changes in prices and terms is sent to the user.

Must Stand Wear. Tropical climates often seriously affect the binding of books and catalogues, and special precaution in this respect is necessary for printed matter sent to the Far East. It also must be considered that in these remote fields the catalogue often is taken more seriously than it is in the United States, and is subjected to harder wear.

Send Letter with It. Catalogues never should be sent without a letter; preferably the two should reach their destination at the same time. The letter, if properly written, will do much to gain consideration for the catalogue.

Mark Date of Issue. It is well to stamp all catalogues with the date of issue before mailing them. This precaution will eliminate misunderstanding in cases where prices of articles and terms of sale are changed at comparatively short notice. Generally, catalogues and other advertising literature sent in quantity are subject to import duty. This usually is highest where there is a protective tariff on manufactured goods. Most countries forward dutiable advertising with shipments, though insisting that it be separately listed.

Care in Distribution. The most effective way to distribute catalogues is through salesmen or branch houses. Indiscriminate distribution should be discouraged at all times; in nine cases out of ten, the catalogues fall into the hands of persons who neither understand nor pay attention to them. The various consulates should receive generous supplies of all descriptive sales literature.

Promoting Sales by Correspondence

LETTER WRITING, an art at all times, is especially important in trade with the Far East. The great distance between the American producer and his customer on the other side of the Pacific and the length of time required for an exchange of letters make it essential that this feature of foreign trade receive the most careful attention. Courtesy, clearness and completeness are qualities that must be regarded as indispensable in every business communication to the Orient. Consideration of the viewpoint of the person addressed must be kept ever in mind. A letter to a customer in the Far East should make a different appeal than a letter to a firm or merchant at home.

Tact an Essential. The aim of letters used in selling goods, of course, is to make the recipient desire to become a customer of the writer, or, if sales relations already have been established, to hold his trade. To a considerable extent a letter to a customer or prospect should possess "personality." Brief, curt and familiar letters such as commonly are written in this country, are not generally popular abroad. The Far Eastern merchant is usually a dignified person, and while he may appreciate letters written in friendly tone, he is likely to resent familiarity.

When to Use English. In large foreign houses there usually is someone who can read and write English. When a letter written in a foreign language arrives in the American home office, it may be assumed that the firm sending it is comparatively small. Nevertheless, it should be answered promptly. In replying to letters of large and well established houses it is better to send a clear and concise letter in English than to attempt to write in a language which is not familiar.

Give Details in Full. Letters to the Far East usually are longer than those written to persons in the home market, since geographical conditions require that each letter cover the entire subject at hand. The preliminary letter should enable customers to order without further correspondence. It should be full and explanatory, and should contain all the essentials of price, discount, terms and so on.

Unless this information is given accurately and in full, inquiries are necessary; by the time these are answered it often happens that the interest aroused by the original letter is gone. It is wise policy to assume that the correspondent knows nothing at all about the goods, and the letter should cover the ground as thoroughly as would a salesman on the ground.

Sign All Letters. Particular attention should be paid to the observance of formal details. Overlooking a title frequently incurs the foreign merchant's displeasure and may result in loss of business. Form letters never should be used, especially in opening a correspondence; if the recipient's trade is worth seeking, he deserves at least an individual letter. The practice of omitting the written signature and substituting the typewritten name of the writer or his firm should be discouraged. In general, foreign merchants interpret such a letter as showing a lack of interest, or even as an act of discourtesy.

Send a Duplicate. Many merchants in Far Eastern correspondences end a duplicate letter in a mail or steamer following that which carries the original. Care should be taken that all letters carry sufficient postage; failure in this respect results in a fine of double the amount of the correct postage being imposed on the recipient. This danger can be avoided by using envelopes in foreign correspondence which differ in color or shape from those used for domestic letters. The foreign postage letter rate is 5c for the first ounce and 3c for each additional ounce or fraction thereof. The domestic rate (2c an ounce or fraction thereof) applies in the Far East only to matter for the Philippine Islands and Shanghai. For return postage, reply coupons can be obtained at any post office.

American Salesmen for the Far East

IT IS good commercial policy that American-made goods be sold in the Far East by Americans. A difficulty that heretofore has stood in the way has been the comparatively small number of Americans who have had the requisite background of experience. Our national interest in foreign trade on a large scale is of such recent origin that the development of competent selling representatives for the Orient never has been thoroughly undertaken. Yet, "east of Suez" so much depends upon proper representation that the selection of the right kind of salesman is imperative.

Essential Qualities. The qualifications of the successful salesman in the Far East are many. To begin with, he should be a well-bred gentleman in all his relations, business and social. He should have passports to the best mercantile society. He must be more than courteous—he must combine the qualities of the diplomat and the psychologist. He must know his line forward and backward and must possess selling ability. He should show a readiness to master the essentials of a foreign commercial language and an ability to study and analyze the character of the peoples among whom he is sent.

The Pioneer Spirit. He is literally a pioneer in American commerce, and should have the spirit of the pioneer in his undertaking. He must be ready to give up home and familiar surroundings, to undergo personal discomfort. While he cannot disregard the characteristics peculiar to the foreigners with whom he comes into contact, he should not try to submerge his own personality and imitate others. He should be proud that he is an American, and jealous to sustain that honor.

Americanism an Asset. The true American of good breeding and proper instinct has an individuality as distinct as that of the Englishman, the Frenchman or the Japanese. He is recognized and respected everywhere in the Orient. His energy and activity, frankness, resourcefulness, ability to act and decide quickly, his poise and ability to conduct business on a

large scale—all these are qualities highly admired in Far Eastern countries. They distinguish the personality of an American fully as much as differing temperaments and characteristics set apart the business man of China, Japan and India. This being the case, it would appear that our national characteristics can be capitalized for selling purposes abroad as effectively as those of other nations.

Heavy Responsibility. The heavy responsibilities that rest upon the salesman in the Orient make possession of these many qualities important. Thousands of miles away from his employers, among strange people, and forced by circumstances to rely solely upon his own judgment, the success or failure of his mission will depend upon what he does and how he does it even more than upon the virtues of the merchandise he has to sell. It is up to the salesman, upon his arrival, to study market conditions and ascertain the financial standing of those with whom he is to do business. His personality and the friendships he may form will play an important part in the making of sales. After getting an order he must take steps to retain the business thus begun. He must plan with the buyer on how to expand the demand for his goods and must make local arrangements to keep in touch with the market. He must study his customers and prospects individually, their business methods and personal interests.

The German Method. The United States never had until recently a class of young men from which to draw for foreign service similar to some of our international competitors. The Germans, who were conspicuously successful in foreign trade before the war, handled the problem of building up their sales forces for this work systematically. They chose young men who had been educated in commercial schools and prepared them for work abroad by a careful course of practical training. When they reached the foreign country, their training was continued under men of larger experience.

Where to Find Him. To meet the sudden development of American trade in the Far East, American manufacturers had to follow different methods, though now many have seriously undertaken the training of salesmen early in their careers. "Pick the salesman of broad efficiency in the domestic field and

teach him" is a rule followed by some firms. Good salesmen sometimes are found through large commercial organizations that are in touch with men who wish to represent American manufacturers abroad. A special department in "Commerce Reports," published by the Bureau of Foreign and Domestic Commerce, contains information on this point. Advertising in large American dailies, especially those of New York, and in commercial magazines devoted to the Far East frequently is fruitful.

Build for Permanence. More and more American exporters are teaching their men to think of work in the foreign field as permanent. They emphasize the importance of moral as well as mental qualifications and fitness. This interest in the salesman abroad represents more or less a new trend in American business life. There has been a tendency to appreciate American salesmanship in the United States to the full, but to show a lack of sympathy with men who go into remote fields. The big problems of trade have had to do with the situation at home and not abroad. Now it is realized that the need for good salesmen in other countries is as great as it is in the domestic market.

Needs of Salesmen. A salesman who represents a substantial house in the Far East needs not only all the active aid the home office can give in introducing him to customers and prospects and reciting the merits of the goods he will submit to them, but certain material equipment as well. These concrete requirements are: (1) money enough to pay all expenses and provide a wide measure of financial safety, either in the form of a circular letter of credit, banker's money orders or exchange; (2) lists of customers and prospects, with all available data about the best men to see in each case; (3) price lists, order blanks, customer report blanks, catalogues, advertising matter and full information about sizes, shipping weights, discounts, terms and so on; (4) a cable code covering every item in the salesman's line; (5) carefully worked out travel routes and schedules; (6) an expense book in which to keep accounts, weekly or monthly as desired.

Travel Costs Vary. The expenses of traveling vary so greatly in different countries and depend so largely upon the temperament and inclination of the representative himself that an accurate estimate hardly can be given. The cost of trans-

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portation, port charges, hotel rates, custom house charges and incidental expenses, such as fees and tips, miscellaneous entertainment and the like, all must be taken into account. Under present conditions, traveling expenses and hotel bills cost approximately $100 a week; this figure does not cover many incidentals that are virtually necessary.

Latitude in Routing. General suggestions on routing salesmen are indicated in the chapter "Two Highways to the Orient." It is unwise to attempt to arrange a hard and fast itinerary. Plans for routing should be flexible enough to permit of changes when considered necessary by the representative.

Social Obligations. The American representative should be thoroughly at home at clubs and dinners. Some of the most important contacts with foreigners are established through social connections. For this reason he should have a general knowledge of the country and at least a passing familiarity with the names of its great men in commerce, history, literature and art. Especially in China and Japan art in its broadest sense plays a more important part in daily life than in this country.

Trade that will Last. The placing of the first order should be regarded as only a preliminary step in the long routine of selling. Good will must be maintained if the salesman is building for the future as well as for the present.

In the Far East, commercial visitors are taken on their word. The uncanny faculty which the Oriental has of sizing up Occidentals he uses to his utmost, as well as his ability to sense the rightness and wrongness of a proposition. He is clever but not tricky, and the wizard talk of the American salesman which may go far here at home, usually means little to him. At the first meeting, his mental attitude is that of suspicion, both of his visitor and the visitor's proposals. His judgment of foreigners comes not through talking, but through sitting back quietly, listening while the visitor talks, and, more particularly through watching. Prejudices that may be aroused are overcome with difficulty. Hence it is that the commercial representative must know his business, keep his promises and never make any agreement he cannot carry out.

Two Highways to the Orient

TWO HIGHWAYS of commerce reaching to the Far East are open to American manufacturers—one to the westward, either through our Pacific Coast ports or by way of Panama, and the other to the east across the Atlantic and through the Suez Canal. It may be expected that order will ultimately be restored in Russia and the war-wrecked Trans-Siberian Railroad rehabilitated and again put in operation, but that time is not yet. The Atlantic route involves transfer at some European port to a steamer bound for India, China or Japan. Passengers save time, when close connections can be made, by traveling by rail from the English Channel to Brindisi, Italy, where many boats make their final call before steaming on to Suez.

Routes and Seasons. Personal predilection apart, choice as between these routes probably will depend on which port in the east the traveler wishes to reach first. If South Asia is his objective, there are advantages in approaching by way of Europe and Suez. If China, Japan and Siberia are first on his list, the Pacific route serves his purpose better.

The seasons also are to be taken into account. Fall and winter are the most comfortable periods for travel in southern Asia and its island archipelagoes. They also are the seasons of greatest business activity and consequently offer the best chance of interesting merchants in new goods. Spring and early summer, or late summer and the fall are equally appropriate times for a visit to Japan, China and other parts of northern Asia, depending upon the convenience of the traveler. If he approaches by way of India, the spring naturally will fit in better with his plans. If he goes by the Pacific route direct to the Asiatic mainland, he should leave the United States in time to arrive in China about October 1; if some time is to be spent in Japan, he should leave America earlier, so that the start southward can be made by the first of December.

How to Cover Japan. From San Francisco, Seattle and Vancouver there are frequent sailings to Yokohama, the journey requiring from thirteen to seventeen days. This city

does a large proportion of the export and import business of Japan, while Tokyo, nineteen miles away, the capital of the empire, is growing in commercial importance. These cities are connected by an excellent electric railway. From Yokohama it is an overnight run to Osaka and Kobe, the leading manufacturing centers of Japan. These points are sufficiently near together, 20 miles, to be covered without loss of time, Kobe offering certain advantages as a base of operations. If a person is interested in the silk industry, he visits Kyoto, an hour's run by train from Osaka. From Kobe, it is a 12-hour trip to Shimonoseki, whence channel steamers depart twice daily to Fusan on the mainland.

Chosen and Siberia. Seoul, nine hours from Fusan, is the chief city in Chosen demanding commercial attention. From there it is a ride of 20 and 30 hours, respectively, to Mukden and Harbin. The next point is Vladivostok, the Pacific terminus of the Trans-Siberian Railway, a journey of 36 hours from Harbin. If one desires to go to Vladivostok direct from Japan the point of departure usually is Nagasaki. When this route is taken, the salesman continues to Harbin and Mukden by rail. From Mukden he may travel to Tientsin in a day or he may visit Dairen, 8 hours away by railroad, and go from there by water to Tientsin. Several steamship lines between these last two ports afford sailings at least once a week; the time required for the passage depends on whether the vessel makes intermediate ports of call. If suitable water connections cannot be made, Tientsin can be reached by rail from Dairen in 16 hours. There also are regular sailings between Kobe and Tientsin until the latter port is closed by ice, usually in December.

All Roads to Shanghai. When a salesman has traveled to Vladivostok via Chosen, Mukden and Harbin, it may be advisable to approach China by steamer to Shanghai. Steamers run at least once a week and the trip requires about four days. A call is made at Nagasaki, Japan. On the other hand, if one decides not to cover Chosen, Manchuria or Siberia, he may go directly to Shanghai from Kobe or Nagasaki. Frequent connections are available each week from either port; the passage requires from two to three days. If China is the first objective, the salesman can obtain passage to Shanghai direct from the United States.

Hub of Chinese Trade. The foreign community at Shanghai is the largest in China. The city has modern office buildings and an extensive business, domestic and foreign. It is the outlet for an enormous hinterland. From it, Nanking, Chinkiang, Soochow and Hangchow are within easy reach by rail and Ningpo is only 12 hours away by steamer. From Shanghai to Tientsin, one can go by rail in from 32 to 36 hours, or by water, in from two to three days. There are two or three sailings a week. If the trip is made by rail, a stop-over can be arranged at Tsinan and a side trip by rail to the port of Tsing-tau. Tientsin is the port of Peking, which is three hours away by rail. Being the capital, Peking offers special opportunities to travelers who desire contact with government officials. Through tickets to Peking now can be bought on all lines which enter the city from Chosen, and a similar arrangement has been made for persons who travel from Japan to the Chinese capital by way of Tsing-tau.

Incidentally, under the through ticket arrangement, two routes from Japan to North China and return are available to the traveler, by which he may save from 35% to 50% of the regulation railroad fares. Both lead from Yokohama to Fusan, in Chosen, by way of Shimonoseki; thence to Antung, Mukden, Tientsin and Peking. From the Chinese capital one route is by rail to Hankow and then to Shanghai by steamer down the Yangtze; the other by rail from Peking to Tientsin, to Shanghai, with a stop at Tsinan and a side trip to Tsing-tau. From Shanghai the traveler returns to Yokohama by boat.

Up Yangtze River. From Peking the salesman may return to Shanghai and then ascend the Yangtze to Hankow, a trip of two or three days by river steamer, with daily service. It also is possible to go from Peking to Hankow by rail. There is a service three times a week and the trip requires a little more than a day. Hankow is a distributing and receiving center for the Yangtze river basin. Chungking and Changsha may be reached from there by small boats, Chungking in eleven to twelve days and Changsha in three days. Railway connection to Changsha also is now available the year round.

Hong Kong is Next. After covering these inland cities, the salesman descends the Yangtze and goes by steamer to Hong Kong. The coastwise journey requires from

two to four days, depending upon whether the vessel calls at ports on the way. The nature of one's business will determine whether these should be visited. Among such ports are Foochow, Amoy and Swatow. Foochow is a tea center, Swatow has sugar interests and all three offer markets to traders in cotton and other textiles. Hong Kong is the chief port for one of China's wealthiest provinces. It has extensive shipping facilities and many flourishing industries. Canton may be reached by rail in five hours or by boat over-night. It often is possible to transact business in Canton and return to Hong Kong by the same boat.

French Indo-China. Steamer service to the ports of French Indo-China is less frequent than north of Hong Kong, and goods consigned to or from this territory are subject to transshipment, usually at Hong Kong or Singapore. It takes two days to go from Singapore to Saigon, and sailings are fortnightly. Haiphong and Saigon may be reached by monthly coastwise steamers from Hong Kong. Hanoi is inland, three hours by rail from Haiphong.

Singapore and Siam. Singapore is a port of call for all through steamers between Europe and the Orient. From there, the Malaya hinterland is within easy reach. Steamers leave for Penang three afternoons a week, arriving the second morning following. By rail the trip can be made in 24 hours, including stop-overs at Kuala Lumpur and Ipoh. From Singapore to Bangkok, Siam, is a five-day journey by rail, or a four-day water trip.

Covering East Indies. Singapore and Penang are the starting points for trips to the Dutch East Indies. The K. P. M. (Koninklijke Paketvaart Maat-Schappij) steamers run to Belawan Deli, the port for Medan in Sumatra's rubber and tobacco region, and to Batavia, in Java. They also offer good inter-island transportation. As the schedules are complicated, the traveler will save time and trouble by seeking the advice of the company's agent in planning his itinerary. Representatives of virtually all the large business houses in the island are in Batavia and this city will take up the greater part of the salesman's time. There is rail connection with Sourabaya and Samarang, but the trip by sea to Sourabaya is more comfortable.

How to Reach Manila. From Singapore steamers run to Manila at intervals of approximately three weeks, taking from four to six days for the passage. If suitable connection with one of these cannot be made, one may return to Hong Kong and cross from there to the Philippines, or may go from Hong Kong before visiting the more southern countries. There are several vessels a week from Singapore to Hong Kong, the voyage taking from five to seven days. The run from Hong Kong to Manila takes three days, and the vessels leave weekly.

Two Visits Advised. Some salesmen with experience in the Far East advise that the more important cities be covered twice. A return trip from Manila with this purpose in view would include, probably, Hong Kong, Shanghai and Tientsin in China, and Nagasaki, Yokohama, Kobe and Osaka.

Journey Takes Time. For the outgoing route thus outlined from Yokohama to Manila, including all the points named, thirty-six weeks should be allowed. Return visits would take an additional six weeks. These figures are based on the estimated needs of American exporters covering the territory for the first time, who expect their salesmen to remain sufficiently long in each city visited to develop business connections. If connections already are established, or if one desires merely to negotiate with the large importing merchants, this time may be cut down materially. Indeed, when the salesman does not have to spend more time in a place than is necessary to visit the principal concerns, the route from Yokohama to Manila may be covered in twelve weeks.

A Shorter Circuit. For one desiring to call only on important firms in the leading centers, a shorter list may be suggested; for example, Yokohama, Osaka, Vladivostok, Shanghai, Hong Kong, Singapore, Bangkok and Manila. Such a trip, if close steamship connections can be made, will require from six to fourteen weeks, depending on whether the salesman must remain and develop connections, or merely visit the various places, exhibit samples and book orders.

The Route via Suez. The traveler who elects to approach Asia by the Atlantic route, after leaving the Red Sea usually touches at Colombo, Calcutta and Singapore, and

then goes on to China and Japan. This usually is considered a long and expensive route for the American unless he finds markets for his line or lines in India, Burma and along the way.

Covering South Asia. For the traveler from the Pacific, Burma and India are in easy reach after he has gone as far as Penang. From there he can go by rail to Rangoon, or by sea to Rangoon, Madras or Colombo. If he approaches the Orient by way of Suez, Bombay becomes the port of arrival. From there the route lies by sea to Karachi and thence by rail to Lahore, Amritzar, Delhi, Cawnpore, Lucknow and Calcutta. From Calcutta he can go by sea to Rangoon; from Rangoon by sea to Madras, and thence either by rail or sea to Colombo. From Colombo he can continue to Penang; by rail from Penang to Ipoh, Kuala Lumpur and Singapore; thence by sea to Sourabaya, from Sourabaya by rail to Samarang and Batavia, and then back to Singapore and northward by sea to China.

Hotels and Expenses. Hotels in the Orient usually are crowded, especially in the tropics, and reservations should be made in advance by cable where possible. A list of Far East hotels patronized by business men and other items of interest to travelers is on file in the District Offices of the Bureau of Foreign and Domestic Commerce.

Cotton and silk clothing are best adapted to the climate of the tropics and are made to measure in a surprisingly short time and at little cost at Hong Kong or Singapore. Half a dozen suits of clothing, and an equal number of suits of underwear and silk or cotton shirts, two pairs of white canvas shoes, a sun helmet and the ordinary accessories make a useful outfit.

Hotel bills and transportation may be counted upon to cost not less than $100 a week after the Orient has been reached. This amount will not cover any extensive entertaining, expenses for automobile hire that hardly can be avoided nor cable tolls.

Banking Service in Far Eastern Trade

THE RAPID expansion of America's foreign trade activities has given rise to increasing service demands on the commercial banks operating in this particular field. These demands have led to a great extension of facilities for all the banking operations essential to export and import business. They have also brought about the development of service departments whose function it is to provide information and counsel insuring the safety of overseas ventures and to supply concrete aid in carrying out the necessary commercial and shipping transactions which accompany them.

In Touch with Markets. To the manufacturer or merchant embarking in Far Eastern trade, such service departments can be of the greatest assistance. The foreign department of the highly organized commercial bank is in touch with every important market center of the world. It is concerned first, of course, with its banking functions—the transfer of money from one country to another by mail or cable, the buying and selling of foreign exchange, the discount and collection of foreign drafts, the establishment of export and import credits for the financing of overseas sales and purchases, and the buying and selling of foreign currencies. But its service to customers does not stop here. Whether the bank is represented abroad by correspondent banks or by its own branches, the long arm of courtesy and friendly co-operation reaches out to supplement the customer's resources and connections, to solve his problems and to facilitate his undertakings in the Orient.

Beware of Pitfalls. This advisory service is of particular value to the man who is just entering or has begun to consider foreign trade. Approached in any but a thorough and circumspect manner, the export field is full of pitfalls. Information is the only guide to safety, and the banks which address themselves to foreign trade have developed specialists at home and correspondents abroad to supply and utilize such information. From counsel as to the selection of a field of export activity

or methods of obtaining business connections there, the service may extend to advice on adaptation of the product to a particular market or specific inquiry into the standing and desirability of certain firms or individuals as local or general representatives.

Obtain Credit Data. If, for example, the credit of a Chinese or Indian concern is at all doubtful—and all Far Eastern connections should be scrutinized carefully before they are approved—the foreign credit department brings its information files to bear or obtains a special credit report through its overseas correspondents. From these special reports and from the analysis of letters regularly exchanged with correspondents, is built up a body of valuable general information which mirrors outstanding trade conditions in other countries.

Help One Another. Intimate and friendly relationships maintained with foreign correspondents are the foundation of this specific service. The value of the information depends entirely on the competence and reliability of the source; the more alert American banks have equipped themselves to do their part in overseas trade by providing sources from which trustworthy information can be drawn. It so happens that while American business has much to ask of other nations, it also has much to offer; and American exporters and American banks have never before been so favorably placed for utilizing connections in foreign countries.

Specialized Service. To the producer whose factory is at an interior point, this service is almost as accessible as to the immediate neighbors and customers of the big export bank. He naturally will ask his local bank for help; and the bank, if its own information files are inadequate, will resort, in turn, to that one of its metropolitan correspondents which specializes in export business. And the principle of co-operation has been carried so far by American banks that the big institution will put all its sources of information at the disposition of the correspondent and its customer.

Aiding the Exporter. In a succeeding chapter on Financing Export Shipments the various methods by which Far Eastern sales are financed and the part the export bank

plays in each are analyzed and described in detail. To convey an idea of such a bank's activities in overseas trade, it will be enough here to indicate what its financial functions are and then to suggest the various facilitating services which have been developed in response to the needs of customers trading abroad.

Getting the Money. The basic function in which the exporter is interested, of course, is the bank's ability to get for him the proceeds of an invoice of merchandise shipped abroad. Few such sales are completed by the dispatch, as in domestic business, of an invoice for the goods and the return in due time of a check for the amount involved, or by the making of a trade acceptance. The commoner method is to forward through an export bank a draft covering the transaction, with an invoice, the ocean bill of lading, marine insurance certificate and other necessary documents attached, for collection in accordance with the terms on which the sale was made.

Negotiating Drafts. In a great many cases, where the exporter's credit is unquestioned, the draft is negotiated by the bank and the amount placed immediately to his credit. Interest is charged for the period required to forward the draft and receive the money or New York exchange in return; the bank's fee is a fractional percentage of the amount involved. This financing of overseas trade through the negotiation of approved documentary and "clean" foreign bills is one of the most important services the commercial bank offers its exporting customers. Some large exporters who are able to borrow all the money they need at favorable rates grant credit to their approved foreign customers by taking their acceptances for thirty, sixty or ninety days.

Obstacles to Trade. Too many American manufacturers have an exaggerated fear that if they allow their goods to leave the country before payment is made they may have to whistle for their money. This fear in many cases is groundless for in every part of the world there are honorable and upright firms to whom it is as safe to extend credit as to any highly rated house in America. And the general practice of requiring payment on delivery of documents in New York is as much of a handicap on foreign sales as onerous credit terms would be on domestic business. Only when the goods cannot be duplicated from other sources at

anything like the same prices, or when the consumer demand for a particular product or line is imperative, will merchant buyers overlook a disadvantage in terms.

Commercial Credits. It is to meet this reluctance on the part of the seller that the export commercial credit has been developed as another way of financing overseas sales. By it the foreign buyer provides in New York a credit sufficient to pay for his purchases before the goods are shipped. At his instance, his bank in Shanghai, Yokohama or wherever his business may be, opens a confirmed credit for him with its New York correspondent, instructing the latter to make payment for certain merchandise, machinery or materials upon the surrender by the shipper of a full set of documents showing that the specified goods have been delivered on board a steamer sailing on a certain date. These documents may include all signed copies of the ocean bill of lading, an insurance certificate in duplicate, consular invoice, certificate of origin, and, in the case of certain commodities, weight and inspection certificates.

Added Sales Burden. On delivery of these documents, the exporter receives his money and the transaction is complete so far as he is concerned. The great disadvantage, as already indicated, is that the Far Eastern buyer has to take all the trouble and risk and make direct payment of the invoice and all the charges weeks and even months before he receives his goods. No one will deny that this adds much more to the sales burden in every case than the amount of the interest and other charges.

Confirmed Credits. The various forms which export credits take and the conditions on which payment depends in each case, are explained at length in the chapter on Financing Export Shipments. Of the two in most general use, the confirmed credit differs from the unconfirmed chiefly in the fact that the former cannot be cancelled except with the consent of both buyer and seller, while the latter can be cancelled without consulting the seller. Both credits are opened by the foreign buyer at a particular American bank. The open letter of credit, which also is used by some Far Eastern merchants to finance purchases in this country, is sent direct to the seller and may be presented for payment at his own bank or at one or more designated banks.

Power to Negotiate. Another device frequently used for financing export sales is known as a banker's letter of authority to negotiate either with or without recourse. Both are instructions to the American bank from an overseas correspondent to negotiate drafts of the exporter named up to a certain amount, when these are accompanied by specified shipping documents. In the second form, the draft is made "without recourse" on the exporter.

Export Acceptances. A bank acceptance, under the Federal Reserve rules, offers a fourth method of financing export sales. The exporter must be quite sure of the buyer's credit, and his own standing and reputation must be satisfactory to the bank. The acceptance covers a current transaction. If it is a shipment to Yokohama, for instance, the exporter makes two drafts. The first is on the customer at sixty or ninety days sight, according to the terms of the sale; to this the ocean bill of lading and the usual documents are attached. The second is made on the bank, which accepts it and discounts it or allows the exporter to discount it elsewhere. The acceptance is a guarantee of payment at maturity, which usually is fixed on the date when it is expected the money from abroad will be available. The first draft and documents, which serve as the bank's security, are forwarded to the Yokohama correspondent for collection. Should there be any delay in payment, the exporter must provide cover for the bank's acceptance when due, or arrange for renewal.

Emergency Services. Occasionally, too, the modern conception of banking service makes a commercial institution an active agent in export trade. In the first year of the European War, New York banks were called upon to make large purchases of wheat and other foodstuffs in open market for the account of their correspondent banks in Greece, Italy and other countries. This was an emergency service, but it illustrates the every-day fact that banks are no longer content to know and occupy themselves with the routine of banking. Their officers and department heads have intimate contacts with many trades and markets, domestic and foreign; in no other way could they safeguard the bank's operations.

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Share Knowledge. Bankers realize that this knowledge of conditions and methods is only half utilized if brought to bear solely on the bank's exclusive inside problems. Real effectiveness never comes until the institution's resources of information as well as of credit are put freely at the disposal of its customers. In the domestic field, this is accepted and applied as an axiom. In the more experimental realm of foreign trade, where risks are multiplied by general unfamiliarity with a thousand details, from the routing of an overseas shipment to the regulations covering its entry at its foreign port, the service which an alert bank is prepared to furnish to its customers is limited, really, only by their needs—need of counsel and need of concrete help in turning a distant prospect into an actual sale.

Routine Easily Fixed. The established exporter has no difficulty in reducing the handling of his overseas shipments to routine. Clerks can take care of all the details connected with the engaging of cargo space, securing of the shipping permit, export declaration, steamer bill of lading, inspection certificate, dock receipt, insurance certificate, consular invoice and such other documents as the nature of the shipment or its port of destination may demand. To the beginner in foreign trade, however, all this may seem a formidable series of operations, since negligence in the performance of any one of them may result in the holding up of the goods, failure to make the steamer on which cargo space has been contracted for, and possible refusal of entry or a heavy fine on the shipment at its port of destination.

Aid in Organization. It is here that the commercial bank operating in the foreign field can offer material aid with its specialized service departments. Not by assuming the functions of a forwarding agent for the manufacturer in an up-state or interior city, but by guiding him and helping to organize this end of his export activities until he also has "learned the ropes" and has perfected his own routine for handling and forwarding direct shipments. If his home office is too far from tide-water to allow his export department to see the goods aboard steamer, he can save time, money and possible errors by employing a reputable forwarding agent to handle his shipment from terminal yard to ship-side. That is the forwarding agent's specific business and there is no lack of responsible firms capable of looking after

all the details. They make very reasonable charges for the specialized operations which they perform on behalf of their exporter clients.

Help in Forwarding. At the same time the competent export bank is equipped to assist its customers should their forwarding machinery break down or encounter new conditions or problems or when an emergency puts a premium on special attention by some one directly on the ground. The preparation and execution of the documents necessary to exporting, warehousing, routing, insuring and actual forwarding of shipments, however, are all operations within the everyday compass of the average business, and their organization presents no special difficulties which have to be overcome.

Simplify Problems. It is in the overseas phases of documentation and shipping that the counsel of the export bank is likely to prove most valuable. Port requirements vary in many countries of the Far East. Tariffs, though generally of the simplest character and lowest rates—except in Japan and French Indo-China—need to be known to obtain the most favorable classification on incoming merchandise. Packing materials and methods hold possibilities of unpleasant surprises for exporters who have not studied the regulations governing imports into various countries beyond the Pacific. Climatic conditions may be such as will handicap a line of goods or machinery entirely acceptable in the United States, but susceptible to swift deterioration in tropical countries. And so on through the entire list of marketing problems knowledge of which is essential to success in the Far East. This knowledge the export bank is equipped to supply to its customers or the customers of its correspondents. Advice on the mechanical operations incident to export shipping is the least important aid the bank offers its customers in the building of an export business.

Financing Imports. In the financing of import trade from the Far East, American commercial banks have made great progress in the last few years. Were it not for this return current of raw materials and the trade balance it sets up, American exporting would have to make head against an unfavorable rate of exchange which would add considerably to the deliv-

ered cost of their products in Oriental ports. When an Akron tire company buys crude rubber at Singapore or a New York importing house contracts for copra or soya beans at Manila or Nagasaki, the seller may demand cash before shipment. If he does, the buyer finances the purchase by means of an import credit established through his American bank with the latter's correspondent in Singapore, Manila or Nagasaki, the correspondent bank paying the seller for the shipment on delivery of the ocean bill of lading and the required documents.

When Trade Thrives. No actual transfer of money is made, of course. Dollar exchange is the medium of transfer, and dollar exchange is at its most advantageous point for both exporters and importers when reciprocal sales and purchases between the United States and the Asiatic country are almost equal in value. The most important service of American banks in promoting Far Eastern trade has been the extension of their facilities for export and import credits to all the principal markets of the Orient. Dollar exchange available at the principal ports at favorable rates is an essential factor in successful American trading overseas.

Letters of Credit. Such import credits are frequently established by cable for the convenience of customers; commercial letters of credit are sold for use abroad in the purchase of merchandise or materials; payment of salesmen's expenses and the like is usually provided for through travelers' checks or circular letters of credit issued to the salesman.

Protect the Shipper. All that American export banks ask of their foreign correspondents they give freely in return. Not only do they provide facilities for the collection of drafts, notes, coupons, dividends and the like; the more progressive institutions take the initiative in protecting the interests of customers of their correspondents at every point. If for any reason the consignee of an import shipment neglects any of the port requirements, the bank makes the proper entry, has the shipment inspected, files claims to cover any damages suffered, has the goods warehoused—instead of allowing them to go to a "general order warehouse" where the storage charges are heavy—and in general looks out for the shipper's interests. Action of this sort is certain

to result in closer and more friendly relations between American and foreign banks, relations which bring corresponding advantages to American merchants.

Foreign Securities. Transformation of the United States into a great creditor nation is responsible for the development of another banking service in the foreign securities departments now maintained by some commercial institutions. Not only are these departments equipped to underwrite and market loans for foreign governments and for municipal public works; transactions in the securities of railroad, industrial and commercial undertakings and public utilities are of increasing importance. To make these transactions safe, dependable information about fundamental conditions as well as the character of the men responsible is necessary. Possession of this knowledge or of sources from which it may be drawn, puts the bank in a position to act as adviser and agent in the purchase or sale of any class of securities of foreign governments.

See Business Chances. Trade opportunities in the Far East and in other foreign fields have been recognized by far-sighted American bankers and steps have been taken to provide facilities to develop these opportunities. Both directly and through national business and banking organizations they have been able to foster broader policies in international commerce by shaping favorable trade agreements with foreign countries and securing essential legislation, as in the provisions of the Federal Reserve act authorizing the making of bank acceptances.

Inside their own organizations, careful study of the methods which foreign financial and commercial houses have used in promoting trade has resulted in the adaptation of these methods to American conditions. When American business men have learned to use the facilities thus created and have broadened their credit and collection policies in accord with the new conditions thus set up, American trade activities in the Far East—and elsewhere—will receive a great and lasting stimulus.

Tariff Problems in the Orient

Success or failure of an export undertaking may turn on the exporter's knowledge or neglect of tariff schedules and regulations. A tariff may be regarded as a kind of barrier wall in which are several toll gates charging classified rates of admission to the market beyond. The gate charging the highest toll, as a rule, will be the easiest to reach; but farther down along the wall somewhere, search often will reveal an obscure postern where the product can enter under a classification paying a much lower tax or no tax at all. If Americans are to do business in the Far East on an equality with Europeans and Japanese, they must discover these gates of advantage.

Seek Lowest Rates. Often the foreign importer knows how to get this best rate; any instructions from him on the manner in which his purchases are to be described in the export declaration should be followed with exactitude. The disassembling of a piece of machinery, for instance, and the entry of certain parts separately, may effect a great saving in the amount of duty paid. In some cases, a lower rate on an article may be obtained by packing it in the same case with other merchandise. Some Far Eastern countries admit machinery and supplies for certain industries duty-free. It is not enough that the exporter depend solely on the overseas purchaser for this information. He should seek all the data available on the subject on his own initiative. Moreover, he will find it a decided asset in approaching foreign buyers to have mastered the a b c of their tariff situations, even when his product has a decided superiority over others to recommend it.

Standards Changing. The need for careful and intelligent analysis of foreign tariffs is greater now than ever before to any American who wants to do business abroad. The war upset all standards which prevailed before August, 1914. The necessity of meeting interest charges on tremendous war debts has compelled foreign governments to adopt a policy of exploiting all possible sources of revenue. To most of them a tariff on im-

ports appeals, both because it is an indirect form of taxation and because it curtails imports of non-essentials, thus putting the country more nearly on a self-sustaining basis and reducing or eliminating unfavorable trade balances. Tariff changes of importance are immediate probabilities in the Far East—some already have been made since the coming of peace—and no shipper can afford not to keep thoroughly informed on all modifications as they take effect.

Rates in Orient Low. Before the war, tariffs in the Orient had little adverse influence on the volume and character of American shipments. They were kept low, partly to favor European merchants and manufacturers and partly to keep down the cost to the consumer. Except for Japan, Siberia and Indo-China, duties were imposed for revenue rather than as a protective trade measure. Japan had a protective tariff which allowed free entry only to materials and machinery such as she did not produce herself, and imposed low duties on partly manufactured goods. In Siberia, the restrictive Russian tariff was applied to all articles not of Russian origin, except such as were specifically exempted as promoting the growth of industry or transportation. In Indo-China, the regular French tariff was applied in much the same manner.

Preferential Rates. Now there are preferential tariffs which operate against American goods to some extent in Indo-China, to a greater extent in the Dutch East Indies, and still more in British India, Burma, Hong Kong and the Straits Settlements. In the Philippines, as before the war, Americans have the preference. There the market is open to products originating in this country, while exporters of other nations have to overcome the regular United States tariff.

Protection in Japan. As America's largest customer in the Orient, Japan's tariff schedules are of prime importance. In 1918, her imports amounted to $834,071,917. Of this total, more than half was admitted free, dutiable goods amounting to $379,867,175. The customs revenue in that year was 8.25 per cent of the value of dutiable imports. While this does not seem a formidable barrier, it must be noted that on nearly all manufactured goods the rates range from fifteen to forty per

cent of their value. Some luxuries pay as high as fifty per cent. Because they are the products of a "key" industry, important in peace as well as in war, dyes also are to be increased from ten to fifty per cent ad valorem.

There were 647 items in the revised Japanese tariff adopted in 1910. Since that time numerous changes have been made. Many raw materials have been added to the free list and not a few products which Japanese factories are turning out—like gear cutters, milling cutters, light iron, chains and brass and bronze tubing—have been transferred to the dutiable list.

Americans Favored. From time to time, Japan has entered into tariff treaties with Great Britain, France and Italy, under which certain goods manufactured in those countries are admitted by payment of duties materially lower than the statute rates. As a "most favored nation" the United States is placed on an equal tariff basis with these countries, and American manufacturers are enabled to meet their European competitors on even footing.

Chosen's New Tariff. Formosa is treated as part of Japan. When Chosen, formerly the Kingdom of Korea, was annexed in 1910, Japan announced that there would be no change in import tariffs for ten years. This promise has been kept, and the old schedules, imposing duties of from five to ten per cent on all imports, has been continued. The ten-year period, however, ends in August, this year, and the Government at Tokyo has announced that from that month, the tariff which is enforced throughout the rest of the Japanese Empire will be applied to all parts of Chosen.

China Needs Revenue. China, long kept in commercial leading strings by the great powers, has begun to look forward to the day when she will have a measure of autonomy in the control of her import trade. Her tariff is made up largely of specific duties, computed at five per cent on market values which obtained before the war brought such radical price advances. In 1918, the revenue produced by these specific duties was only three and a half per cent of the value of imports, and the hard-pressed Chinese government was brought close to the verge of bankruptcy.

New Deal Next Year. Recognizing the Republic's precarious situation, the Allied powers consented to a revision of the specific duties, and a joint commission has calculated these anew on a basis of average values for the five years from 1912 to 1916. There is provision also for a new deal in 1921. For the present, then, the Chinese tariff amounts to a little less than five per cent on all imports except articles on the free list — gold, silver, coins, books, periodicals, maps; wheat, rice and other cereals and their products. Meantime, the question of assenting to an increase above five per cent, long has been discussed. The United States and Great Britain agreed to this fifteen years ago, provided likin—local tariffs charged by provinces—should be abolished; this condition now has been met to a large degree.

Many Kinds of Duties. China taxes not only imports, but exports as well. There are several customs services, with all of which the exporter should make acquaintance at least so far as they affect his goods. They include the maritime or foreign customs, native customs under foreign control, native customs not under foreign control, likin and various taxes on merchandise in transit. All shipments must enter China at a treaty port, where the maritime customs is paid. Goods for the interior, because of the various customs agencies, sometimes are taxed once or more again before they reach their destination. Imports shipped from one Chinese port to another are exempt from a duty payment at the second port, and on goods that are re-exported the merchant can obtain a drawback. When imports are placed in godowns, or warehouses, upon their arrival, no duty is paid until they are removed.

India's Tariff Raised. Until the second year of the war, British India's tariff wall was as low, or even lower than that of China—a condition dictated largely by the interest of British trade which dominated the Indian market. Since 1894, when free trade was abolished after a trial of twelve years, import duties had been on a five per cent ad valorem level with cotton piece goods at three and a half per cent, and industrial machinery, raw cotton and cotton yarn, cattle, grain and foodstuffs on the free list. To provide war revenue, most of the ad valorem duties were increased in 1916 and 1917 to seven and a half per cent. The free list was cut down to include only machinery

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for agriculture and for spinning and weaving cotton, raw materials like cotton, wool and hides, cotton yarns and threads, printed books and catalogues and advertising imported by mail.

British Preference. That was for revenue only, but peace was followed by another change. Since September 1, 1919, there has been in effect a schedule of preferential rates which applies to all goods consigned from, grown, manufactured or produced within the British Empire. Under this, the British pay only two-thirds of the full rate on imported motor cars, musical instruments, clocks, watches and moving picture films, and a five-sixths rate on tea, cocoa, coffee, chicory, currants, dried or preserved fruits, sugar, glucose, molasses, saccharin, motor spirit and tobacco. British preference also is provided for in the establishment of an export duty of 15 per cent on raw hides and skins, with a rebate of 10 per cent where the articles are shipped to other parts of the Empire to be tanned. Indian manufacturers are agitating enactment of a protective tariff as an aid to young domestic industries and this movement is likely to bring results in the next few years. Importation of dyes into India is prohibited except under government license.

Changes Frequent. In the Netherlands East Indies, the tariff rates vary from eight to twelve per cent. Minor changes have been made so frequently in the last few years, that it is well to verify rates at intervals by application to the Bureau of Foreign and Domestic Commerce. In some instances, the size and weight of the article enter into the calculation of the amount of the duty.

In the Federated Malay States the average rate on products not subject to specific duties is ten per cent. All ports of the Straits Settlements in the Malay Peninsula are on a free trade basis. The only import duties are on liquors, opium, cigars, cigarettes, tobacco and petroleum. Importation of dyestuffs from countries outside the British Empire is prohibited except under a government license. Siam imposes an ad valorem duty of three per cent of the delivered cost at Bangkok on all classes of manufactured products and raw materials; this includes the cost of containers, packing, insurance, freight and other charges. The usual internal dues levied on transfers between interior points are waived in the case of imported goods. These transit dues are

common in many countries of the Orient; usually they can be found in the standard reference books.

Information Sources. Tariff information may be obtained from numerous sources, official and otherwise. The most dependable and accessible of these are:

(1) Bureau of Foreign and Domestic Commerce which collects, files and disseminates tariff information. Inquiries are promptly answered. (2) United States consulates in the Far East which nearly always can supply needed information. (3) Daily Commerce Reports in which all important changes in foreign tariffs are noted and their effect analyzed. (4) Kelly's Custom Tariffs of the World (complete texts of the tariffs), published in New York. (5) "Shipping World Year Book," published annually in London. (6) "Exporters' Encyclopædia," published yearly in New York, which contains a digest of the tariff regulations of each country covered.

Rates May Differ. In general, the reports of the Bureau of Foreign and Domestic Commerce recommend that no reference lists of tariff rates be used unless confirmed at the time by the Bureau. When two or more rates of duty are shown in any tariff for the same article, products of the United States as a rule are admitted at the lowest rate ("conventional" or "minimum") except: (1) into France and French colonies, where (in case of most articles) the "general" rate is applied; (2) into Canada, where the "general" rate is applied; and (3) into other British colonies, where "preferential" rates (if any) are withheld from all non-British imports. Numerous specific duties for French Indo-China and Siam and net weight for China and Japan should be borne in mind.

Careful Descriptions. Customs declarations should give accurate descriptions of articles. In many countries, customs officials are entitled to a percentage of fines imposed because of wrong declarations or descriptions, and in consequence they are vigilant in detecting even slight departures from absolute accuracy. Precise statements are advantageous, also, because certain merchandise or manufactures frequently obtain exemption if their character is designated in the declaration.

Value of Export Commission Houses

THE EXPORT commission house performs the duties of a middleman, serving as an intermediary between the foreign buyer and the American manufacturer. In dealings with the Far East, it is a sort of clearing house through which pass two currents of trade—one of orders from merchants in the Orient, and the other of shipments outbound in response to those orders. The export commission merchant acts as a manufacturers' agent. He usually deals in a more or less limited line of goods, though in the Orient this limit is subject to wide expansion. He obtains his orders from agents in the foreign country and through correspondence with his customers direct.

Services Manifold. The functions of the export commission house are many. The alert firm in this line must watch both the foreign and the home ends of trade. It keeps in daily touch with market fluctuations affecting the lines it handles and keeps its customers informed. It instigates business by keeping an eye on manufactured lines and reporting prospects to its customers. It keeps thoroughly posted on freight rates, the technique of marine insurance and the consular, tariff and other government formalities of every country. It sees that goods dispatched through it are properly shipped at the lowest obtainable rates, that they are protected by insurance and that they are accompanied by the necessary documents carefully prepared. Its services are of especial value to the producer whose factory or plant is in an inland city and who, consequently, finds it difficult to see that his goods are placed on board ship and that the various requirements of export shipping are complied with. In return for its services, it receives a commission of a certain percentage of the amount of the orders sold.

Other Activities. Some large houses do not confine their activities to buying and selling. They may operate steamship lines, run branch houses abroad, issue letters of credit and underwrite financial projects. Indeed, the work of some covers virtually every phase of foreign trade.

Is a Trail Blazer. In a sense, the export commission house is a trail blazer of commerce. But for some such agency as it, the goods of many American manufacturers which are now in demand in the Far East would not be known there. Altogether, there are some 1,800 such houses in the United States —more than 600 of them are in New York City, the rest in San Francisco, New Orleans and elsewhere. Those in New York, especially, have great influence and conduct business on an extensive scale. A well-known authority has estimated that twelve of these houses handle one-fourth of the entire export trade of the United States and that two control a large part of our trade in the Republic of China.

Selecting an Agent. The choice of a commission house can be arranged either by correspondence or by a personal visit to New York or any of the other commercial centers where these houses are found. Lists of such firms, showing the character of goods they handle, the markets they cover and other important data, can be found in "The Export Trade Directory," which is published by the "American Exporter," New York; "The Export Register," issued by the Export Manufacturers of U. S. Inc., 149 Broadway, New York, and "Export Trade," published by the Sheldon Publishing Company, New York.

An Adequate Plan. In arranging with an export commission house for representation in the Far East, the following conditions should be agreed upon:

(1) That the representation will receive active attention.

(2) That the export house is adequately represented in the territories for which the agency is granted.

(3) That a certain period of development is allowed; if results do not follow, the manufacturer is then at liberty to make other connections.

(4) That the export house will be protected on business from its territory which reaches the manufacturer direct or through other channels.

What an Indent Is. The order received from the foreign purchaser is known as an indent. A closed indent mentions the particular firm with which the order is to be placed. An open indent leaves the placing of the order to the

discretion of the house which handles it. Few export commission houses to-day limit their buying to these orders.

Definite Advantages. Houses of this kind have been an important factor in the development of American foreign trade. They have made a special study of the foreign field and understand its requirements. Their organizations are equipped to master the difficulties of credit, transportation and distribution. The immediate advantage of dealing through export commission houses is the centralization of effort of both buyer and seller. By collecting and shipping all orders on one bill of lading, the commission house saves the foreign merchant the expense and labor of corresponding with a great many export manufacturers. In search for new goods, the foreign merchant often relies on the commission house for information, sometimes carrying this trust to the point of placing orders in blank. By dealing through the commission house, moreover, the manufacturer at home is saved expense, while the selling, the extending of credits, financing, insuring and shipping are in expert hands.

Some Disadvantages. Any manufacturer, of course, can deal direct with his foreign customers if he has the equipment required, but he should not ignore the possibilities offered by the export commission house in distribution. The real limitation on the commission house is that its trade field usually is not so large as the manufacturer's ambition and that the producer's name is seldom displayed, unless, indeed, his advertising is extensive enough to make his trade-mark an asset to the house. The fact remains that the export commission house supplies a definite function in foreign trade and controls a great deal of business which cannot easily be obtained without its aid.

Financing Export Shipments

THE DESIRE of the seller to receive payment before the goods leave his hands and that of the buyer not to part with his money until the order is delivered to him, give rise to a problem of peculiar difficulty in international trade because of the time required for transportation, the risks encountered in transit and, in some cases, the fluctuation of rates of exchange. The banker, by providing means of payment sufficiently flexible to reconcile divergent interests, bridges the gap, and thus performs a service of inestimable value to both parties. An outline of the methods in general use is given below.

Cash with the Order. The foreign importer may remit with his order a draft on New York. This method places the burden entirely on the customer and is employed chiefly in small transactions or where a special condition makes its use desirable.

Cash on Delivery. The purchaser may send funds directly or through his bank to an American bank, with instructions to pay the manufacturer upon delivery of certain documents. The documents required in this and similar transactions will be indicated later.

Open Account Sales. The exporter may permit the buyer to carry a running account under an agreement that payments will be made at specified periods. Here the shipper assumes the risk. This method seldom need be resorted to in the Far East, as one or another of the following means is well known to merchants in all parts of the territory.

The Confirmed Order. A current practice in the Far East is for the importer to make financial arrangements with an American house, or with a local establishment represented in the United States, whereby this correspondent confirms his orders and accepts drafts covering his purchases. Under this arrangement the American manufacturer need con-

IRVING NATIONAL BANK
NEW YORK
ORGANIZED
1850

FOREIGN DIVISION

IN REPLYING PLEASE QUOTE
Export Credit

May 17, 1920.

EXPORT CREDIT NO.600/100

Ronald Johnson & Company,
1 Broadway,
New York City.

Gentlemen:

We are instructed by The Japanese Bank to negotiate as offered, without recourse, your documentary bills at ninety days sight on Reiso Matsuoka, Kobe to the extent of THIRTY NINE HUNDRED DOLLARS ($3900.00) for invoice cost of goods shipped to the port of Kobe.

The bills must be accompanied by full set of Bills of Lading (Express Company's Bills of Lading not acceptable) and Insurance Certificates covering marine insurance and also warrisk insurance made out to order and endorsed in blank, together with Invoice covering merchandise shipped from America to K shipping documents to be delivered against payment of the relative drafts. surance must cover from warehouse at point of departure to consignee's ware at destination.

The drafts must be drawn to the order of The Japanese Bank, Kobe, and marked:

"Drawn under authorisation of The Japanese Bank, Kobe, No.100"

and must bear the following clause:

"Payable with interest added at the rate of 8% per annum from date of draft until approximate arrival of cover in New York"

This authorisation is subject to cancellation and/or modification by us at any time.

Kindly hand us this letter with your drafts in order that the amounts the same may be endorsed on the back hereof.

Yours very truly,

John Doe

Assistant Manager, Foreign Dept.

BANKER'S Authority to negotiate drafts without recourse. "without recourse" clause relieves the exporter in the event of n payment, except for the usual recourse of quantity and quality of goods.

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FOREIGN DIVIS

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Ronald Jol
1 Broadway
New York C

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Ronald Johnson and Co.

John Johnson
Secretary

cern himself only with the credit of the house so designated. The greater part of the trade between the United States and the Far East is transacted on this basis.

Authority to Negotiate with Recourse. An American bank may be instructed by its foreign correspondent to negotiate, up to a specified amount, the drafts of an exporter drawn against a designated bank or individual and accompanied by a full set of shipping documents. This form stipulates expressly that the seller is not relieved from the liability usually attaching to the drawer of a bill of exchange. The instructions frequently designate the name of an individual or company which will attend to the insuring of the goods. This last may be dictated by such a simple fact as representation maintained in the importer's city by the company designated for this function.

Authority to Negotiate Without Recourse. Sometimes the bank's authority to negotiate is enlarged by the omission of the clause which provides that the drawer's liability remains until the draft is met, and by substituting in its place a phrase to the effect that the drafts are to be negotiated without recourse to drawer. Several exporters of experience accept orders based on authorities to negotiate, with recourse, only for shipments of standard material and when billed to houses of undoubted responsibility with reputations for fair dealing. In all other cases they require either that an authority, without recourse, be given, or that some other arrangement be made whereby they may be assured of their money, in case the importer should refuse to pay. (A reproduction of a typical authority to negotiate, without recourse, appears on the page opposite, and a specimen of the draft referred to therein is attached to this page.)

Foreign Bank's Credit. A foreign bank may issue a letter of credit on itself directly in favor of the American exporter, advising him that he is authorized to draw on it to the extent of a specified sum. It is usual, also, to name the banks in the United States where drafts accompanied by full sets of shipping documents may be negotiated. The foreign bank promises that such instruments will be honored if presented on or before a certain date, provided, in the case of time drafts, the shipping documents are surrendered against acceptances, or

IRVING NATIONAL BANK

WOOLWORTH BUILDING, NEW YORK

Irrevocable Export Credit No. 627

Dated New York, April 7, 1920.

Expiring New York, May 29, 1920.

New York Motor Company,
New York City.

Gentlemen:-

At the request of Netherlands State Bank - - - - - - - - - -

we hereby authorize you to draw upon us at - - - sight - - - - - - - - -

for account of Java Motor Company - - - - - - - - - - - - - - - - - - -

to the extent of FOUR THOUSAND AND 00/100 DOLLARS ($4000.00)- - - - -

covering nine (9) motors to be shipped to the Dutch East Indies

Documents (complete sets unless otherwise stated and of a character which will meet with our approval) must comprise:

Steamer Bills of Lading issued to order of consignee

Invoice

Insurance Policies covering marine and war risk

All documents are to be surrendered to us upon payment

Bills of Lading issued by Forwarding Agents will not be accepted unless specifically authorized herein, and payment will be effected only provided shipment is actually on board or loading on the vessel named in the Bills of Lading. Insurance must cover from warehouse at point of departure to consignee's warehouse at destination.

Drafts must clearly specify the number of this Credit, and be presented at this Bank on or before May 29, 1920

Any amendment of the terms of the Credit must be in writing over an authorized signature of this Bank.

Yours very truly,

John Doe

Assistant Manager Foreign Dept.

No payment will be made unless the terms indicated herein are strictly observed. If impossible to comply with same, please communicate with us and/or the consignee before making shipment, with a view to obtaining modification of the Credit to conform to the terms of sale.

CONFIRMED Export Credit—The bank is responsible for payment if the terms of the credit are complied with.

against payment when they are drawn at sight. The American banks named on the instrument do not always regard the credit as confirmed without direct advice from the foreign bank.

Such a credit is available not in the United States, but in the foreign city from which it emanates; usually against documents upon their arrival, but sometimes not until the arrival of the relative shipment. The distinction between the foregoing and export credit, later described, is not always apparent to the exporter, especially as the foreign bank's credit is sometimes payable in dollars. It must be borne in mind that any negotiation under the export credit is subject to deduction of bank commission and discount charges at the prevailing rate for the period between the date of negotiation and the arrival of the remittance from abroad. It is not customary for Far Eastern importers to establish credits of this nature, but the practice has gained popularity in Europe.

Buyer's Export Credit. Through his local bank the Far Eastern customer may open an export credit in a bank in New York or elsewhere in the United States, whereby the American bank, upon the presentation of certain enumerated documents, will pay up to a specified amount to the shipper or accept the shipper's draft and meet it at maturity. For this purpose the foreign bank usually selects an American bank with which it maintains an account. A commission is charged for the service, depending in rate upon whether the American bank is asked merely to pay or to accept and pay, and in the latter case also upon the length of time the draft has to run. The rates are agreed upon between the banks concerned. The credit may be opened by mail or cable.

A Confirmed Credit. A confirmed credit, also called an irrevocable credit, is one that cannot be cancelled or modified in any way after its establishment without the mutual consent of the buyer and the seller. When the American bank has notified the seller that such a credit is opened in his favor, it is held responsible for payment if the terms are duly complied with. An unconfirmed credit, on the other hand, is an instruction to a bank in the United States to honor drafts drawn by a designated exporter to a specified amount unless and until it receives from the foreign importer notice of cancellation. The rate of commission charged for a confirmed credit is slightly high-

IRVING NATIONAL BANK

WOOLWORTH BUILDING, NEW YORK

Revocable Export Credit No. 500

Dated New York, April 7, 1920

Expiring New York, May 29, 1920

New York Motor Company,
New York City.

Gentlemen:-

We are informed by Netherlands State Bank - - - - - - - - that you will draw upon us at - - - sight - - - - - - - - - - - - - - - - for account of Java Motor Company - - - - - - - - - - - - - - - - - - to the extent of FOUR THOUSAND AND 00/100 DOLLARS ($4000.00)- - - - - covering nine (9) motors to be shipped to the Dutch East Indies.

Documents (complete sets unless otherwise stated and of a character which will meet with our approval) must comprise:

Steamer Bills of Lading issued to order of consignee

Invoice

Insurance Policies covering marine and war risk

All documents are to be surrendered to us upon payment

Bills of Lading issued by Forwarding Agents will not be accepted unless specifically authorized herein, and payment will be effected only provided shipment is actually on board or loading on the vessel named in the Bills of Lading. Insurance must cover from warehouse at point of departure to consignee's warehouse at destination.

Drafts must clearly specify the number of this Credit, and be presented at this Bank on or before May 29, 1920.

This letter is for your guidance in preparing documents and conveys no engagement on the part of the Bank as we have no instructions to confirm the Credit. Any amendment of the terms of the Credit must be in writing over an authorized signature of this Bank.

Yours very truly,

John Doe
Vice-President

No payment will be made unless the terms indicated herein are strictly observed. If impossible to comply with same, please communicate with us and/or the consignee before making shipment, with a view to obtaining modification of the Credit to conform to the terms of sale.

UNCONFIRMED Export Credit—Bank assumes no responsibility for payment if the credit is cancelled or conditions altered before payment is made.

er than for the unconfirmed credit. (A specimen advice of a confirmed credit is reproduced on page 80 and an unconfirmed credit on page 82.)

Credit Instructions. A letter of credit invariably gives detailed instructions for the guidance of the American bank, and sound banking practice requires that these be strictly observed. It carefully enumerates the documents which must be delivered and, when time drafts are provided for, states the period for which they are to run. In most of the forms above referred to, there is an expiration date, but no period need be fixed for an unconfirmed credit as it may be cancelled without the shipper's consent. Whenever an expiration date is stated, a manufacturer in the interior should allow for delays in rail transportation and in loading the cargo.

Time Limit Clause. Quite often an export credit will show no expiration date, but will limit the shipping period by some such clause as this: "To be shipped not later than———." This is of particular interest to a manufacturer in the interior. Unless otherwise stated, it must be interpreted as defining the latest date on which the shipment clears from seaboard. If the credit bears no other expiration date, documents may be presented for payment as soon after shipment as they are obtainable. On the other hand, if the credit shows an expiration date with or without reference to the date of shipment, the shipping date has no bearing on the expiration.

Essential Documents. The following documents usually are required and constitute what is known as a full or complete set: (a) a draft in duplicate or triplicate, or a receipt in triplicate; (b) all the signed copies (varying from one to four) of the ocean bill of lading; (c) two copies of the insurance certificate; (d) two copies of the invoice; (e) special documents, for example, consular invoice or weight certificate, required in certain cases for clearance from the American port or for entry abroad or by agreement between the parties. Upon receiving the papers the bank dispatches them at once to its foreign correspondent. In cases where it is probable that a consignment may not go forward immediately upon its arrival at the seaboard, an export credit may be made payable against a warehouse receipt or a

TRUST RECEIPT

New York, May 21, 1920

Received in Trust from the Irving National Bank, New York, acting as agent for John Jones Co.

the merchandise specified in the Bill of Lading issued by Chicago Milwaukee & St. Paul R.R. Co. dated May 15, 1920 Car Number N Y C 58216 Routed N Y C to Barclay St. Station

100 pieces steel plates

and in consideration thereof the undersigned hereby agrees to hold the said merchandise as the property of said Bank, subject at all times to its order, for the purpose of being sold or otherwise disposed of, as the said Bank may direct; and further agrees that when and so soon as any or all of the said merchandise is sold to pay over the proceeds thereof to the said Bank.

The said Bank may, at any time, at its option, cancel this trust and take possession of said merchandise, or of the proceeds of such of the same as may then have been sold, whenever the said merchandise or proceeds may then be found; the undersigned further agreeing to return the documents or merchandise forthwith to said Bank upon request.

The undersigned expressly accepts this trust subject to the following conditions, in addition to those hereinbefore or hereinafter specified, and agrees to fulfill them implicitly.

It is further understood and agreed that any failure on the part of the undersigned to fully carry out any of the provisions or conditions of this trust, even if known to said Bank, shall not be deemed a waiver of performance of any such provision or condition or otherwise by said Bank or a waiver of any of its rights or remedies hereunder and any waiver in order to operate as such must be in writing and also endorsed hereon and properly signed by said Bank,

(Signed) Paul Paulsen Co.

Amount of Draft $ 5000.
Date of Letter May 12, 1920

Paul Paulsen

Trust Receipt given in exchange for Railroad Bill of Lading.

dock receipt. This instrument then is held by the bank until exchanged for an ocean bill of lading as indicated below in describing the use of an export trust receipt.

Drawn to Whose Order? It is important to observe to whose order to draw the documents. This applies with particular force to bills of lading, warehouse and other receipts and to the insurance certificates. Shipping papers are usually drawn "to order," because of the flexibility of negotiation thus obtained. The indorsement of the shipper, which invariably is required on documents prepared in this way, should be made in blank and not to order of an institution, as for example, the bank accepting the papers. By agreement between the parties, however, bills of lading are sometimes issued directly to the consignee. By this method the importer has the assurance that the goods cannot be delivered without his consent.

Negotiable Documents. By far the greater part of foreign trade is handled with negotiable documents. This is because the use of such instruments assures more adequate protection for the banks financing the transactions and in other ways materially increases the ease of conducting the business. Certain formalities connected with drawing and indorsing documents may appear non-essential to the American manufacturer, but when he ships to a foreign market his papers pass through many hands, and some slight omission might cause the shipment to be held in a distant port to await correction of the error.

Export Trust Receipt. When the bank at the American seaboard is instructed to accept or pay a draft against a railroad bill of lading or a warehouse receipt, it must relinquish possession of it for sufficient time to allow the document to be changed for an ocean bill of lading. The bank engages the services of a forwarding agent for this purpose or, in certain cases, may accept from the exporter a trust receipt which grants the powers necessary to protect its interests during the interval. A specimen export trust receipt is shown on the opposite page.

Foreign Money Credits. An export credit may be opened in a foreign currency instead of in dollars. When this is done in the Far East, the currency customarily se-

lected, even in the French colonies, is pounds sterling. The American bank makes payment at its buying rate for time or sight bills according to the terms set forth and forwards the relative documents to its foreign correspondent. The importer pays at the foreign bank's selling rate on London, the variations in this rate depending on how the cover should be provided in that city, for example, by cable or by mail transfer.

Draft on Customer. A further way in which a manufacturer may obtain payment for his goods is to draw a draft on his customer in a case when the latter has not established a credit in the United States. This instrument is drawn in duplicate or triplicate to the order of a bank or to the order of the exporter and is indorsed by him. Such drafts may be payable at various usances but usually at sight or at 30, 60 or 90 days, or longer, after sight or after date. A specimen draft drawn by an exporter is attached to page 79.

Clean or Documentary. A clean draft is one unaccompanied by any other instrument. In the ordinary course of business it may be one made in accordance with previous agreement, to be paid a certain number of days after the shipment has been forwarded. In other instances it may be used by the shipper as a means to hurry the payment of any account which has run beyond maturity. A documentary draft is one to which are attached the documents of title, the insurance certificate and such other of the papers referred to above in connection with an export credit as are required for clearance from the port of departure and entry abroad.

Drafts D/A or D/P. When a draft is marked with the letters D/A, it signifies that the documents are to be delivered to the drawee upon acceptance; in the case of a D/P draft, the papers are to be withheld until payment is made. The latter usage is more frequent in the Far East, especially when dealing with native firms, but in the case of foreign houses of high standing, documents usually are deliverable against acceptance. It should be indicated plainly on each draft which method is intended, so that the foreign bank may not be in doubt but may have definite instructions as to how the instrument is to be presented.

Collection Methods. After an exporter has his draft and other documents in proper form, he may send them for collection directly to a bank in the city where his customer has headquarters, or he may deliver them to his own bank or to a bank in some central city to forward abroad for the same purpose. In none of these ways does he realize cash for his goods until the advice of payment returns from the foreign bank. Few except the largest exporters can conduct their trade profitably on this basis; hence, such collections are few as compared with negotiated drafts covering export shipments.

Directions on Drafts. When a draft is forwarded for collection, care should be taken to give explicit instructions so that persons handling the documents may know what action to take in any contingency. It is necessary: (a) to indicate whether the draft is drawn D/A or D/P; (b) to say whether, if it is drawn D/A, the item should be held for collection at maturity or returned; (c) to name the rate of discount to be allowed for payment before maturity, for this option sometimes is exercised in the Far East; (d) to specify what action should be taken upon non-acceptance or non-payment, for example, whether protest is desired, and whether, in that event, the documents should be turned over to an agent of the manufacturer; (e) to designate a person to be notified in case of non-acceptance, non-payment or other contingencies—such person often is described as the "in case of need"; (f) to arrange for notification by cable when delay would cause serious loss. These directions are highly important, as banks do not assume responsibility beyond complying with the shipper's instructions.

Letter of Advice. It is customary to incorporate such instructions on stubs or slips which are readily detachable from drafts. This practice is subject to what occasionally results in a grave inconvenience; namely, no record of the directions is left with the banks connected with the earlier stages in the handling of the documents. This may be obviated by embodying the instructions in a letter of advice with the draft.

Request Protest. Protest should be requested in every case, for by the law of many foreign countries this formality is indispensable in proving non-payment. This is espe-

cially important when a shipper contemplates offering his draft for negotiation. With respect to places where neglect to protest the bill jeopardizes the right of recourse against the drawer, the bank may insist upon a waiver of the immunity from liability resulting from failure to protest: lacking this, it may refuse to handle the documents.

"In Case of Need." The rights exercised respectively by the shipper's agent, named as the "in case of need," and by the presenting banks are regulated by written instructions and, to a certain extent, are modified by local custom. However, when the shipper's agent has plenary powers, the interests of the American bank that has negotiated the draft may be endangered, for the person designated may request the foreign bank to deliver the documents or accept part payment under conditions at variance with the original understanding between the shipper and the bank that advanced money on the draft.

Negotiating Drafts. In most cases, the exporter takes his draft with a complete set of documents to a bank and negotiates them for cash. Here he again indorses the draft and other papers in blank, and the bank forwards them to its correspondent in the place where the foreign importer is situated, or, if it has no such correspondent, to a bank that has one there. As a rule, American banks do not like to discount bills running over three months' sight. In case of goods sold on longer terms, the draft may be sent forward for acceptance and return. The shipper then may hold them for negotiation until they mature.

Analyze Methods. An important distinction exists between negotiating a draft and handling it in some of the other ways described. When a foreign importer places cash or credit at the disposal of an American bank, and the bank, acting under instructions, pays against documents delivered by the exporter, the transaction is not a purchase by the bank. The funds, before the transfer, belonged to the importer. Similarly, in handling a draft for collection, the American bank makes no payment to the exporter until advised that the sum involved has been realized abroad. On the other hand, when a bank in the United States negotiates a foreign draft, in essence it lends its own money to the shipper on the security of the shipper's indorsement

and of the value of the goods, title to which it holds through the shipping documents. The bank, in this case, relies upon its own judgment in determining the sufficiency of the papers, and forwards them with the necessary instructions to its correspondent abroad for collection.

Where to Negotiate. A foreign bill may be negotiated at a bank. If the institution to which the instrument is offered has no correspondents abroad, arrangements usually may be made with one that has. Such documents also may be negotiated with certain other financial concerns that maintain branches in the United States and in foreign countries. Firms dealing in commercial paper also often buy foreign bills.

Export Acceptances. The rules of the Federal Reserve Bank make it possible to use a bank acceptance as a means to realize on a foreign bill. The exporter may draw upon his customer abroad and present the draft to an American bank. With this bill and the accompanying documents as collateral, the bank then accepts a separate draft upon itself by the shipper. This second draft, called an acceptance, may be discounted by the drawer in the open market or at the bank that accepts it. The documents with the foreign draft are forwarded abroad for collection through the usual channels. Meanwhile, the exporter has received his money.

Documents with Draft. The documents required in transactions involving the collection or negotiation of drafts are, in general, the same as those enumerated above in connection with an export credit. The restrictions as to whose order the instruments are drawn apply here as well.

Aid Banking Service. For the shipper who contemplates offering his draft for negotiation, it may prove of interest to indicate the added protection which a bank acquires through the attention given to certain features connected with the documents, and the effect of this protection upon the terms which his bank is likely to offer. Reference is made to the greater security which a financial institution obtains when the draft upon which it advances money is accompanied by shipping documents in proper form and when these are rendered negotiable. Moreover,

an instruction D/P is preferred to one D/A. The advantage to the bank of requesting protest has already been pointed out, as has the protection afforded by restraining sufficiently the powers of the "in case of need." The above factors are often within the control of the shipper, and the extent of the accommodation that will be allowed upon his documentary bills may depend in large measure upon whether the elements relating to the particular transactions are regarded by the bank as favorable or unfavorable to its interests.

Who Pays Interest? The question as to who shall pay the interest charges always should be settled between the buyer and seller before the order is executed. One must consider length of time necessary for mail to reach the buyer and to return, and, in case of a time draft, the period the item has to run. The practice in the Far East is not to add the interest to the face of the draft but to allow the local bank to compute and collect the interest when the draft is paid. Interest is included, of course, for the normal time required for the return of the remittance to New York.

Interest Clauses. It is customary to instruct a foreign bank to collect interest at a designated rate. When this is done, the request usually appears on the face of the draft in a form similar to one of the following:

"Payable at bank's selling rate for sight exchange on New York with interest at 8% per annum from date hereof until estimated date of arrival of return remittance in New York."

"Payable with exchange, commission, stamps and interest at 6% per annum, from date hereof until estimated date of arrival of return remittance in New York."

Problem of Exchange. The term "selling rate," embodied in the first quotation and often recurring in discussions on foreign exchange, indicates that the bank will demand in payment of the draft, which is drawn in dollars, such an amount in local currency as it would ask on that day for issuing a draft in dollars on New York. On the other hand, the term "buying rate," when referring to a draft on New York, indicates the amount a bank will pay in foreign currency involved for a draft drawn in dollars on the city. In either case the rate varies, of course, depending on whether the item is payable at sight or on time and, if on time, on the period it has to run before final maturity. It is worth noting that if the term "the bank's selling rate," is not

employed, the drawee does not have to accept the rate fixed by the bank holding the draft. He may buy at another bank which may give a more favorable rate on a bill of exchange in dollars, and then pay the holding bank with the proceeds, thus effecting a saving on the exchange.

Obstacles Overcome. As bills of exchange relating to trade transactions with the Far East usually are drawn in dollars or some other medium more stable than local currency, the American merchant need concern himself little with rates of exchange as such. But fluctuations in the monetary values in certain countries in Asia frequently have involved inconvenience in making collections. The importer has been unable to figure definitely the cost of his goods, not knowing at what rate he will have to pay; and at maturity, in case the rate has changed to his disadvantage, payment sometimes is delayed. The shipper may guard against this and other difficulties by having it clearly understood that all drafts must be paid promptly, and by stipulating on what basis the exchange shall be determined. This may be done by the use of such clauses as, "payable at the bank's selling rate for sight draft on New York," or "payable at the bank's selling rate for 90 days' draft on New York," or "payable at telegraphic transfer rate at drawee's option."

Buyer Pays Charges. Bank commissions, like interest, are collected customarily from the buyer in the Far East. The commission of the foreign bank depends on local custom and the degree of accessibility or inaccessibility of the point where the collection is made.

Presenting the Draft. As has been indicated, after the American bank has received the complete set of documents, whether for collection or negotiation, it forwards them with appropriate instructions to its correspondent at the place where the drawee has headquarters. The foreign bank has no option but must comply with these requirements as set forth. A sight draft is presented at once for payment, except in certain places where custom sanctions a delay of a few days or until the arrival of the goods. Time drafts are presented for acceptance and are held for collection at maturity unless the American bank has requested their return upon acceptance.

BUREAU OF INTERNATIONAL

"Go-Downs" in Orient. In the Far East most banks maintain warehouses, called go-downs, where they store goods covered by the drafts which they hold against the local importers. By an arrangement adjusted to meet each set of conditions, this merchandise may be withdrawn a part at a time for sale or manufacture and the payments credited upon the relative documents.

Acceptance Charges. Foreign banks generally make a charge for presenting drafts for acceptance if the drafts are not left with them for collection.

Foreign Money Drafts. Occasionally the exporter, at the request of his customer, draws in a foreign currency, pounds sterling being the currency most favored. The American bank may forward the draft for collection or negotiate it. If the item is drawn in pounds sterling and is sent abroad for collection, the importer pays at the foreign bank's selling rate for a draft on London, which may be at sight or at 90 days, according to agreement. In case the bank in the United States negotiates the instrument, the exporter receives funds at once at the buying rate for time or sight drafts as the terms provide.

Interest and commission, in such cases, usually are not added as separate items but are considered in fixing the rate. For the seller to receive the full amount of his invoice, it is important that he first obtain from his bank a rate quotation so that the face of his draft will be sufficiently large to net the sum desired. This is especially pertinent when a bill is drawn in pounds sterling, as allowance must be made for the additional time for the instrument issued in payment to be forwarded to England and for the funds to be placed definitely at the disposal of the bank in the United States. Since 1914, dollar drafts have replaced sterling exchange to a large extent.

Financing Import Shipments

THE MEANS whereby the exporter in the Far East may obtain payment for a shipment of goods to the United States are, in general, similar to those outlined as in use for the opposite current of trade. It may be well to describe one of these methods which is used extensively.

An Import Credit. A buyer may establish an import credit with an American bank in favor of the foreign shipper. The bank, upon application of the buyer, issues a commercial letter of credit, details of which are advised to the shipper by mail or cable as the buyer may direct. When a credit is opened by mail, the issuing bank delivers the letter of credit in duplicate to the importer, who sends both copies to the foreign shipper. Where the letter of credit has been opened by cable, the American bank, in confirmation, forwards the original and duplicate of the letter of credit by different steamers to its correspondents, through whom the shipper has been advised that the credit has been issued, with the request to deliver the documents to the beneficiary if, in the meantime, he has not exhausted the credit. An application for import credit is reproduced on the following page.

Terms are Specified. The letter of credit specifies the period of time during which it may be used, the terms of the draft, the documents to be presented and usually the nature of the goods. Like an export credit, of which, indeed, it is a counterpart, it may be confirmed or unconfirmed. The form taken by a confirmed import credit is shown on page 96.

Bank Charges Vary. The bank's commission varies with the terms of the draft, the nature of the goods and the other circumstances of the transaction.

Documents Needed. As the documents are forwarded from abroad in duplicate and often arrive by separate steamers, action usually is taken by the bank in the United States upon receipt of one complete set. This embraces: (a) one copy of

APPLICATION FOR COMMERCIAL CREDIT

Irving National Bank
New York.

MAIL

No. D 2576.

Gentlemen:—

Please issue your irrevocable Letter of Credit on The Irving National Bank, New York.
in favor of Far East Export Co., Singapore, S.S.
for the sum of $50,000.00
to be drawn at Ninety (90) days sight
against Bills of Lading, Consular Invoice, Marine Insurance Certificate
purporting to represent
Rubber.

Shipment to New York during January/February, 1919.

Insurance { Marine covered by the shippers.
War risk

IN CONSIDERATION THEREOF I/we promise and agree to pay you in United States Currency the equivalent of the above amount or such portion thereof as may be drawn or paid upon the faith of said credit, together with the usual charges and I/we authorize you and your respective correspondents to pay or to accept drafts under this credit, if the aforesaid documents appear to be correct upon their face, or unimpeachable in the discretion of yourselves or your correspondents and agree to reimburse you in the manner aforesaid, even if such documents should in fact prove to be incorrect, defective or forged.

And I/we release you and your correspondents from all responsibility for General Order charges and other expenses, if through negligence of the shipper or other causes beyond their control, the shipping documents fail to reach destination in due time and such and any other expenses incurred by you or your correspondents concerning the above shipment will be borne by me/us.

And I/we hereby agree to deliver to you upon demand collateral security to your satisfaction, should the market value of the merchandise referred to herein suffer any decline, and also give you a lien on all property given to or left in possession of, or hereafter given or left in your possession, by or for my/our account; and also upon any present or future balance of my/our deposit account with you for the amount of any liability hereunder or otherwise to you.

Date. January 9th, 1919.

Smith Rubber Co.
New York.
PRO FORMA
Vice-President.

APPLICATION for an Import Credit—To finance its purchases of East Indian rubber, this New York import house asks its bank to establish a confirmed credit in favor of its Singapore supply source. The form which the credit takes is shown on page 96. Notice that period and documents required are specified.

the draft; (b) one or two of the negotiable copies of the bill of lading; (c) one copy of the shipper's invoice; (d) one copy of the insurance certificate; (e) one copy of the American consular invoice and of any weight or inspection certificate or other paper required for entry or agreed upon by the parties.

Methods of Payment. When the draft is presented abroad in the first instance, the foreign bank which has negotiated or received it for collection sends it with the accompanying documents to its correspondent in the city of the bank issuing the import credit. The latter, if the papers are in due form, pays the draft if drawn at sight and charges the account of the importer or requests him to remit. In the case of a time draft, it is accepted and may be held by the presenting bank till maturity or discounted in the open market. Upon such acceptance the drawee bank is entitled to hold the documents until payment unless other terms are agreed upon. The importer is notified several days in advance to meet the draft on the day before it is due.

Import Trust Receipt. During the interval between the arrival of the goods and the maturity of the draft it is often to the advantage of the importer to be able to sell the goods or transfer them where they may be used in manufacture. As this enables him to obtain funds to meet his obligation, the bank is willing to grant this privilege if its own interests can be protected. To effect this arrangement the ocean bill of lading and the other documents necessary for final release of the consignment from the steamship company and the custom house are delivered to the importer against a trust receipt. This instrument differs somewhat from the export trust receipt above described. It gives the bank direct control of the goods or their proceeds, and the degree with which this is exercised depends upon the responsibility of the person signing the receipt and the character of the merchandise. A typical import trust receipt is reproduced on page 97.

Credit in Foreign Money. When someone desires to open an import credit in a foreign currency, the initial procedure is similar to that for one in dollars. The bank gives two copies of the letter of credit to the buyer to mail to the foreign shipper and forwards two additional copies to its corre-

Irving National Bank
NEW YORK

New York, January 9, 1919.

Letter of Credit No. D 2576

The Far East Export Company,
Singapore,
S.S.

Gentlemen:

You are hereby authorized to value on The Irving National Bank, New York ----------
at Ninety (90) days sight ----------
for account of The Smith Rubber Company, New York ----------
for any sum or sums not exceeding in all Fifty Thousand and 00/100 Dollars ($50,000.00) ----------
to cover invoice cost of Rubber

to be shipped to New York during January/February, 1919.

The shipments must be completed and drafts drawn on or before February 28, 1919 The - - Marine - - - - - insurance is to be effected by the shippers.

The Bills of Lading to be issued to order of Irving National Bank, New York, and one negotiable copy of each set with Consular Invoice to be forwarded to us immediately.

All the remaining Bills of Lading accompanied by abstract of invoice and Marine Insurance Certificate - - - - - -

to be attached to drafts and surrendered against acceptance or remitted direct to the drawees with advice of draft.

And we hereby agree with the drawers, endorsers and bona fide holders of the bills, drawn in compliance with the terms of this credit that the same shall be duly honored on presentation by above named drawees.

Drafts under this credit to contain the clause "Drawn under Credit No. 2576 of the Irving National Bank, New York, dated New York, January 9, 1919 ....." and to be noted on the back hereof at the time of negotiation.

Yours very truly,

PRO FORMA

Vice-President.

CONFIRMED Import Credit—Issued for the New York import house signing the application on page 94. Sent to the Singapore exporter who uses it as drawing authority, attaching the specified documents to his draft.

TRUST RECEIPT

New York, May 1st, 1919

Received in Trust from Irving National Bank, New York, the merchandise specified in the ocean bill of lading per s/s "Far East" dated Singapore, Feb. 23, 1919, issued by Far East Steamship Co.

S.R. 3061/3164 84 cases Rubber
A

S.R. 121/150 30 cases Rubber

S.R. 151/180 30 cases Rubber
C

S.R. 2121/2240 120 cases Rubber
D

S.R. 2961/3080 120 cases Rubber
E

and in consideration thereof the undersigned hereby agrees to hold said merchandise in storage as the property of said bank, until all terms hereof have been complied with, with the liberty to sell the same for its account but without liberty to pledge, and in case of sale, to hand as trust funds so received, the avails as soon as received to the said bank as security for due provision for its acceptance on account of the undersigned and under the terms of the letter of credit noted below; and further agrees to hold said merchandise and/or the proceeds thereof in trust for the payment of said acceptance and of any other indebtedness of the undersigned to said bank. It is understood, however, that if the proceeds of any sale or disposition of said merchandise shall be in notes or bills receivable, they shall not be applied hereunder until paid, but with liberty meanwhile to said bank to sell or discount, and so apply the net proceeds.

It is further understood that the undersigned may manufacture and re-manufacture the above trust property, always taking such precautions as are necessary to properly identify the product, and may also sell the product of the same on the terms above mentioned. When in process of manufacture or re-manufacture so that the product can no longer be identified, the undersigned thereupon agree to keep and to hold in trust for above bank and as their trust property manufactured goods of equal value with the property originally delivered to the undersigned and undersigned will on demand deliver the same to the said Bank.

It is further understood and agreed that the undersigned may at any time, with the approval of said Bank, substitute other goods of equal value in place of those originally covered by this agreement, and the rights of the said Bank in regard to the goods so substituted shall be the same in every respect as if such substitution had not been made.

The said bank or its representatives may at any time cancel this trust and take possession of said merchandise or the unsold portion thereof in whatever condition it may then be or of the whole or any portion of proceeds of the same, wherever the said merchandise or proceeds may then be found, and all the provisions of this trust receipt shall apply to and be deemed to include said abovementioned merchandise if the same shall have been made up or used in the manufacture of any other goods or merchandise; and the said bank shall have the same rights and remedies against the said merchandise in its manufactured state, or the product of such manufacture, as it would have had in the event that such merchandise had remained in its original state, and irrespective of the fact that other and different merchandise is used in completing such manufacture. In the event of any suspension, or failure, or assignment, or of the nonfulfillment of any obligation, or the non-payment at maturity of any acceptance made under said credit, or any other credit issued by the said bank on account of the undersigned, or of the non-payment of any indebtedness on the part of the undersigned to said bank, all obligations, acceptances, indebtedness and liabilities whatsoever shall thereupon, without notice, mature and become due and payable, and said bank may then in its discretion exercise the lien conferred on it in the last paragraph hereof.

The undersigned further agrees to keep said merchandise insured to its full value against loss or damage resulting from fire, water, theft, improper storage conditions, all risks incurred in handling and transporting, or any other cause, such loss or damage, if any, to be payable to said bank; this at the proper cost and expense of the undersigned, who hereby agrees to pay all storage on said merchandise, or any and all other expenses incurred thereon.

It is further agreed that any failure on the part of the undersigned to fully carry out any of the provisions, terms or conditions of this receipt or agreement, or of the agreement under which the said bank issued the letter of credit by which said merchandise was purchased, even if known to said bank, shall not be deemed a waiver of performance of any such provision, term or condition or otherwise by said bank, or a waiver of any of its rights or remedies under either said receipt or agreement or of the agreement under which the said bank issued the letter of credit noted below; and any waiver in order to operate as such must be in writing and also endorsed hereon and properly signed by the said bank and nothing in this agreement contained shall in any way affect, vary or impair any of the provisions of the letter of credit under which said merchandise was purchased, and of terms, conditions or provisions of the agreement under which said letter of credit was issued.

The undersigned hereby agrees to deliver to the said bank, upon demand, collateral security to its satisfaction, should the market value of the merchandise referred to herein suffer any decline, and also gives to the said bank a lien on all the property given unto or left in the possession of, or hereafter given or left in the possession of said bank, by or for the account of the undersigned, and also upon any present or future balance of the deposit account of the undersigned with the said bank, for the amount of any liability hereunder or otherwise of the undersigned to the said bank.

Amount $37,586.05. (Thirty-seven thousand five hundred eighty-six and 5/100).....

Under L/C No. D.2576.....Dated Jan. 9, 1919

Issued by Irving National Bank.....

Due Abroad .....

Due Here ..June 30, 1919.....

Smith Rubber Co.

by Walter Smith

Secretary.

Trust Receipt given by importer in exchange for Bill of Lading, etc.

spondent nearest where the exporter is stationed. The beneficiary then prepares a draft in the currency specified and presents it with the necessary documents to the correspondent named for acceptance and payment. If the bill is drawn in his local currency, the shipper receives the amount stated; if it is drawn in that of a different country, it is paid at the bank's buying rate for a draft on that country. Before the war drafts covering imports from the Far East usually were drawn in pounds sterling; now credits in dollars are preferred. When a bill drawn in a foreign currency is accepted abroad, the American importer is notified by his own bank to supply funds to meet it a sufficient number of days in advance to permit the bank to advise its foreign correspondent on or before the date of its maturity.

Avoiding Disputes. Any discrepancy between the shipping documents and the terms of the credit may result in the buyer's refusal, through his bank, to honor the documents or accept the shipment. The seller's failure to describe the goods exactly as called for in the credit, or to present weight lists, quality certificates, etc., when such additional documents are stipulated, quite often gives rise to inconvenience in this direction, as the negotiating bank abroad invariably exacts from the shipper, when documents are not in conformity, an agreement to reimburse in the event of the buyer's objection to the variation from the terms of the credit. This agreement is known as a guarantee.

Scrutinize Credits. A foresighted shipper will scrutinize carefully the terms of his credit upon its arrival and should he discover any condition which does not accord with his understanding of the contract, will obtain the desired correction by mail or cable.

Keeping Far Eastern Credits Safe

LACK OF information and misunderstanding of credit conditions in the Far East have been two drawbacks in the past to a more rapid growth of our commerce in that part of the world. Through the educational work carried on by banks and by other commercial institutions, a closer contact has been established between the business interests of the two continents. Credit men in the United States have learned that when the proper channels are approached they may obtain accurate information upon which to base credits, and that thousands of importers in the Far East are as worthy of credit as are well established, successful merchants in the same lines at home.

Sales without Credit. Other methods are available to the American producer to make a sale when he does not care to extend the credit requested or when for any reason he is unwilling to trade direct with the foreign buyer. For example, the order may be confirmed by a commission house of undoubted standing in New York or some other business center, or an arrangement mutually satisfactory to both parties may be made through a bank in the United States. For a description of the various methods used see the chapter on Financing Export Shipments.

Delays on Reports. In general, reports concerning Far Eastern firms are difficult to obtain. Further, a serious handicap arises from delays incurred in receiving advices from such great distances. Investigations of all risks should be made at intervals, as changes frequently occur which may seriously affect the customer's standing. Credit reports from the Far East differ materially from those issued in the United States. They frequently are lacking in detail, but nevertheless are valuable. A thorough understanding of the situation will make it clear that it is sufficient when a financial institution or prominent concern indicates its approval of a credit risk in a few words. Such concerns are loath to go into details and will hesitate to make more than a short statement regarding the reliability of a merchant. What they do say can be taken at its full face value.

Information Sources. Reports on houses in the Far East may be obtained from virtually the same sources as on houses in the United States. These are: (a) American banks having local correspondents; (b) foreign or American houses whose names are given as reference or noted by the salesman; (c) mercantile agencies, notably the Bradstreet Company and R. G. Dun & Co.; (d) foreign banks with which merchants in the Far East have filed references; (e) banks or financial institutions in the country where orders originate; (f) home offices of American banks with branches in the Far East; (g) business organizations, such as the Philadelphia Commercial Museum, the American Manufacturers Export Association, the National Association of Credit Men and other bodies; (h) express companies with foreign departments; (i) foreign trade papers and journals.

Reports of Agents. The reports of resident salesmen or agents regarding the credit standing of their customers are important and should be insisted upon. By making inquiries on the ground, with special knowledge of the firm's desires, a salesman can obtain facts which otherwise would not be available.

Conditions Changing. Numerous changes were caused in Asia by the war. As a result of the conflict, business now is upon a more stable foundation than before. Business men in the Far East have learned to depend more largely upon themselves and their own capital. They also have learned that certain features of the European system, which seemed especially attractive, were beset with dangers even in normal times.

The terms granted often led to over-extension. European concerns in general, and especially some in Germany, sold on terms of from four to six months or even longer, with further extensions granted when payment was difficult. This led to abuses which, when the war came, caused many failures.

American Terms. In most cases American exporters have preferred to sell for cash against documents or on shorter time than their European rivals. Commission houses often extend quite liberal credits but expect drafts to be paid at maturity, usually at 30, 60 or 90 days' sight. American manufacturers who, without distinction, require cash against documents before goods

leave the port of departure impose a serious handicap on extending their sales. Investigation will show that it would be entirely safe to extend reasonable credits, either direct to the importer or to his confirming house, or to take advantage of facilities offered by banks in the United States. In most instances in the Far East documents are deliverable against payment. This is particularly true of native firms, but in the case of English and other foreign houses of high rating, terms by which documents may be delivered against acceptance are granted frequently.

Few Open Accounts. Credit on open account scarcely ever need be given in Far Eastern countries, as nearly every importer has credit arrangements whereby his orders will be confirmed by a house located or represented at New York or some other large American city. Open accounts, however, are used by a few large concerns which have established correspondents.

Salesmen's Errors. Many errors in extending credit are due to faulty judgment in opening the accounts. The small retail merchant should be solicited only after the salesman has assured himself of the merchant's ability to pay promptly. The difficulties of legal collection are serious; hence, dealing with firms of doubtful credit standing should be avoided.

Government Credit. Government credit varies quite to the same extent as that of mercantile houses. Many countries in the Far East not only can meet their obligations but are in position to demand discounts. With others, caution must be shown, especially with local or municipal governments. The manufacturer who obtains business from these sources should satisfy himself as to how he is to be paid, and not rely entirely on the judgment of the salesman. If it is necessary to accept bonds in payment, their marketability should be considered, and bankers who specialize in foreign securities should be consulted.

Return to
BUREAU OF INTERNATIONAL RELATIONS
University of California

Quoting Prices, Terms and Discounts

In quoting prices, terms and discounts to the Far East, exact and specific statement of the facts is an important requisite. The buyers are great distances from the sellers, and it is essential that they be able to determine definitely from the manufacturer's terms just what the proposition is. Certain words and terms with well defined meanings in the United States often convey different ideas to foreigners; for this reason the exporter should take care to express clearly and concisely exactly what he means to say. For example, when quoting a price by the ton, it is important throughout the Far East, and especially in the English possessions, to add "of 2,240 lbs." or "of 2,000 lbs.," according to the intention, and not simply to say "per ton." Similarly, always quote "per 100 lbs." or "per 112 lbs." and not "per cwt." (See the chapter on Selling and Shipping Terms Defined.)

Specify Conditions. Many successful exporters take the precaution to print on the backs of their quotation sheet general conditions of sale elaborated with care to meet all probable contingencies. The following points, frequently included in such a statement, illustrate the extent to which these authorities deem it necessary to enter into detail in order to avoid misunderstandings. Under each topic given the seller sets forth what he does or does not undertake to do, and describes the various rights and obligations that may arise under the contract. A list of these subjects follows: (a) delivery, this subject is treated from the points of view of the different terms of sale, for example, f. o. b., f. a. s. and c. i. f.; (b) routing, freight rates and insurance; (c) consular documents; (d) delays in manufacture or delivery; (e) partial shipments; (f) what action the seller shall take in the absence of shipping instructions from the buyer; (g) inspection; (h) damage in transit, claims and drawbacks; (i) terms of payment.

Policies on Prices. Attractive prices are quite as essential in winning trade from the Far East as in developing business in any other part of the world. The prudent manufacturer will not seek to exploit the Asiatic buyer but will endeavor

to offer inducements that will result in mutual advantage. Many authorities hold that concessions in price should be made when it is necessary to meet foreign competition. They also believe it wise policy to quote lower prices for export than for domestic trade, when such quotations will permit the continuous operation of a mill or factory which otherwise might have to close down for lack of a market. The exporter, however, is cautioned against quoting prices indiscriminately, especially to jobbers and retailers, when he is trying to extend his trade with wholesale and importing houses. The reasons are obvious.

Dollars or Pounds? Some successful export firms make it a practice to quote in pounds sterling for the English colonies and in dollars elsewhere in the Far East; others prefer to give prices in dollar currency throughout the entire territory, holding that this practice will continue to be the better policy for an indefinite period to come. Whatever may be the relative merits of these methods from the point of view of practicability, it would seem to be desirable for American manufacturers to take every opportunity to extend the use of dollar currency.

Changes in Prices. A complaint urged more strongly and more frequently against the American manufacturer than against his European competitor concerns the changing of prices and quotations. Asiatics, particularly those in the interior, base their estimate of costs on numerous factors in addition to the first price. These embrace freights (steamship as well as railroad), port charges, duties, brokerage fees and sundry other items. Fluctuations in exchange are significant in some countries; in others, notably in India, where they almost invariably are for the account of the buyer, they need not concern the American exporter. Having made their calculations, based on a particular quotation, the foreign customers are seriously inconvenienced if, when the goods arrive, they find a change has been made. This sometimes results in the complete withdrawal of business.

If the exporter foresees the possibility of an increased cost in production, he may protect himself by specifying a time limit during which his quotations will hold, and if he values his future trade he must adhere to the prices thus given. This period should be ample to allow for the receipt of his letter abroad and for the return of the reply to the United States.

Simpler Discounts. The granting of discounts is dependent upon the character of the merchandise. In certain lines, where they are particularly complicated, a simplification would stimulate trade with the Far East. However, a system of discounts is frequently desirable in order to provide profits for the various persons concerned in the sale. These may include: (a) general sales agent; (b) wholesale importer; (c) local distributor; (d) retail merchant. Sometimes it is necessary to make allowance also for a wholesale commission house or export agent. Cash discounts should not be quoted with the price but reserved for consideration in connection with the terms of payment, and no discounts at all should be published in catalogues. Exporters in certain lines—for example, sundry steel products—believe that where Americans compete with foreigners, it is generally advisable to use English lists in quoting discounts in the Far East.

Separate Price Lists. List prices should be printed in catalogues, but in certain trades, where these books are likely to be consulted by the various agencies engaged in the sale, and even, perhaps, by the consumer, it is better to supply prices as well as discounts on separate sheets not included in the catalogue. Another advantage of this practice is that price revisions can be made without destroying the old catalogue or issuing a new one. Lists of articles withdrawn from sale can be included with the revised price lists.

U. S. Retail Prices. Catalogues and circulars showing the prices at which articles are retailed in the United States often may be sent with advantage to the importer in the Far East. If the prospective business in a certain country warrants it, the printing of a small circular containing the American prices and the equivalents in local currency may prove helpful, but no prices in the local currency should be given by the manufacturer without consultation with the foreign dealer handling his line, as the retail prices in the foreign country concerned must be based upon the actual landed cost of the article with freight, duty and profit added.

Selling and Shipping Terms Defined

BECAUSE OF their longer experience and careful study of foreign trade problems, many European houses have had an advantage over American manufacturers. Their attention to details has been particularly noticeable in their quotations. Before the war, the importer in the Far East was able to induce his correspondents as a rule to quote prices based on the cost, insurance and freight (c. i. f.) or on the cost and freight (c. & f.). This was particularly true of staple goods. With the outbreak of hostilities, the scarcity of cargo space, the additional risks of war and the advance in insurance made it more difficult to obtain such quotations. These conditions no longer exist and the American manufacturer may continually expect more aggressive competition from the European exporter as the resumption of industry and trade becomes more general.

Take no Chances. Many of the abbreviations used by manufacturers in the United States in quoting prices are likely to be interpreted in various ways abroad where foreign merchants consider quotations from all quarters of the globe. Controversies frequently arise from a mistaken understanding as to the terms of sale. The utmost care should be exercised to make a quotation so explicit that no meaning is possible but the one intended.

Uniformity Urged. A conference of the National Foreign Trade Council, the Chamber of Commerce of the U. S. A., and other organizations interested in foreign commerce, recently recommended to manufacturers and exporters that to avoid disputes all use of abbreviated forms of export price quotations be abandoned, and that such terms be written out in full. In lieu of this, the conference prepared a set of explicit definitions of the abbreviations in general use in the export trade, and urged that exporters observe them as far as possible. The suggestions given below are in conformity with the definitions adopted by the trade conference. (Other suggestions may be found in the chapter entitled, "Quoting Prices, Terms and Discounts."

F. O. B. Shipments. In domestic trade, f. o. b., free on board, is taken generally to mean that the goods are delivered with the charges paid on board the cars at the place of manufacture. Abroad, particularly in English possessions, the initials standing alone convey the meaning, free on board vessel at the port of departure. To avoid misunderstanding it is well to use a more specific term, f. o. b. factory, or f. o. b. vessel New York, or f. a. s. (free alongside) vessel New York. When either of the last two phrases is used, the shipper should investigate carefully the costs incident to cartage, lighterage and other harbor charges. Carload lots are entitled to free lighterage at New York if the inland bill of lading is plainly marked thus: "Lighterage free." Various manufacturers use the terms f. o. b. factory, f. o. b. mill, f. o. b. works, etc. although meaning the same thing: that is, that the goods are placed aboard cars at the point of origin by the shipper. The trade conference referred to above recommended that in the interest of uniformity and clarity the term f. o. b. at a named point be used for these varying terms; thus, f. o. b. Detroit, f. o. b. Pittsburgh, etc.

F. O. R. or F. A. S. Some inland American manufacturers quote prices f. o. b. New York or f. o. b. San Francisco, and mean delivery free at a railroad terminal at that point. Such a quotation is considered in many quarters abroad to be the equivalent of f. o. b. vessel New York, or f. a. s. vessel New York (or San Francisco). To avoid this confusion, experienced exporters, when intending to deliver a consignment only as far as a railroad terminal in the harbor where the goods are to be loaded, employ the letters, f. o. r., free on rails, and add the name of the port. Often the phrase is amplified further thus, f. o. r. New York, cartage to vessel extra.

Define F. A. S. The abbreviation, f. a. s., free alongside, means delivery alongside the vessel or at the wharf or other place of receiving goods destined for shipment by the vessel. Ordinary merchandise then is loaded by the ship's stevedores or the customary tackle. In the case of large or unwieldy articles—for example, locomotives—extra charges are made for loading and unloading, and these are taken into consideration by the steamship line in quoting the freight rate. These extra charges, called "heavy lift" charges, apply on shipments of sin-

gle articles weighing more than two tons. Incidentally, manufacturers and exporters will do well to have an explicit agreement with the buyer on the question of responsibility for loss after merchandise has been delivered on the wharf or alongside the vessel and before it actually has been loaded on the ship. There is no generally established practice on this point. Certain foreign houses understand f. a. s. to mean free aboard steamer. Too much precaution cannot be taken in making quotations wholly free from the danger of misinterpretations.

C. I. F. Shipments. The term c. i. f., cost, insurance, freight, indicates that the shipper pays for covering the consignment with suitable insurance and defrays all inland and ocean freight charges, including transfer to steamer, to the port of destination named in the bill of lading. It excludes foreign duty and the various charges at such port, as well as consular fees for legalizing invoices or other documents required by the laws of the country of destination. To avoid misunderstanding, it is well to state specifically the nature of the insurance intended, for example, whether with or without particular average and whether the peculiar risks incident to the line of goods shipped are expressly to be covered, and how much additional insurance —usually ten to fifteen per cent of the c. i. f. invoice value—is included to cover the increased value of the consignment by the time it reaches its destination.

When Quoting W. P. A. When quoting a price w. p. a. (with particular average), it is desirable to add the percentage of loss, usually 3% or 5%, that must be suffered before a claim will be allowed. The quotation c. i. f. is the one preferred by the foreign buyer the world over, as it relieves him from the hazards incurred in figuring on items concerning which it is difficult for him to obtain accurate information. Among these may be mentioned the freight and other expenses from the American factory to the seaboard and the ocean rates, which often cannot be known in advance. The importer thus is left to calculate merely the charges at the port of entry and the cost of inland transportation, when this is necessary. As the exporter assumes the risk of an increase in the cost of various items embraced in the term c. i. f., a time limit often should be placed on the price quoted.

C. & F. vs. C. A. F. The quotation c. & f. has the same meaning as c. i. f. except that the insurance is not placed by the seller. In export trade, it is well to avoid the use of the letters c. a. f., to express cost and freight; the French customarily employ them when quoting a price based on cost, insurance and freight, and the buyer may misunderstand you. In quoting either c. & f. or c. i. f., exporters who send large quantities of material on one vessel should ascertain in advance the buyer's facilities for taking care of the delivery. If the rate of discharge of the cargo should exceed the capacity of the buyer to handle it, an adjustment might be necessary which would affect the freight rate, and consequently the quoted price.

Your Responsibility. Under a c. i. f. or a c. & f. quotation, the seller is bound to deliver the merchandise aboard the steamship. His obligation is fulfilled when he furnishes to the buyer or to his authorized agent—for example, a bank—a complete set of shipping documents, including, in the case of a c. i. f. quotation, negotiable insurance certificates. The carrier is regarded as an agent of the buyer, and the seller is not responsible for the arrival of the goods at destination nor for loss or damage in transit. It may be observed in this connection that a bank usually will not accept a through railroad bill of lading or one issued by an express company or freight forwarder, unless specific instructions to do so are received from the consignee.

Term Free Harbor. A quotation naming a port of entry thus, free Bombay harbor, should be distinguished from the phrase, c. i. f. Bombay. The need for this distinction is apparent in case unforeseen expense is incurred during the voyage, such as transshipment at a port to which the vessel repairs after becoming unseaworthy through accident. With a price c. i. f., the exporter is under no liability to pay this additional charge or to see that the goods are transshipped and forwarded to destination. When he sells, free Bombay harbor, he assumes both these obligations.

C. I. F. & E. The quotation c. i. f. & e. means that exchange will be for the account of the exporter, and thus, together with the insurance and freight charges, added to the cost

in arriving at the price. It is seldom employed in the Far East, practically never in India, as the exchange is customarily for the buyer's account.

C. I. F. C. I. The c. i. f. c. i. basis of price, embracing collection charges and interest as well as the cost, insurance and freight, is one commonly used in the Far East. It is a basis of payment not very difficult to arrive at, since all the factors can be determined beforehand or else estimated so closely as to leave small margin of possible loss incident on delays.

The fact that it is favored by the Far Eastern importer should commend it to the attention of American houses seeking outlets in the Orient, since the more willing American manufacturers and merchants show themselves to meet the terms offered by European export houses, the fewer obstacles they will encounter in establishing themselves in Oriental markets. The same rule applies to all the more complex terms defined in this chapter: the more accommodating the American exporter proves himself to be, within the limits of complete safety and sound business practice, the more easily he will solve his larger selling problems beyond the Pacific.

Return to
BUREAU OF INTERNATIONAL REL...
...California

Documents Needed for Export Shipments

THE PROCEDURE attending the actual transfer of a shipment from the point of origin to the ocean freighter is simple, but the preparation of the papers required by the various parties interested in the transaction, before the documents are finally in hand and the vessel cleared, involves certain formalities whic require strict observance. A general outline of the steps to b taken and a brief description of the documents referred to a given below.

Export Licenses. During the war, export licenses were requir for nearly all commodities, but since the armi tice they gradually have been reduced until virtually none remai Details are omitted here as shipments requiring licenses are ev changing. Latest information can be obtained from the Sta Department.

Cargo Space and Rates. Arrangements regarding rates and t necessary cargo space should be mac either directly or through one of the agencies enumerated.

Get Shipping Permit. The steamship company then issues shipping permit, which shows the date an time when the consignment will be received at the pier and description of the goods. The permit should be examined closel as it determines many phases of the contract to be entered int between the steamship company and the shipper. The port mus be correctly given and it must not contain any clauses that woul be objectionable on the bill of lading. (A specimen permit i reproduced on page 112.)

Export Declaration. The consignor or his agent thereupon pre pares a shipper's export declaration anc swears to it before the appropriate official in the custom house. The declaration need not necessarily designate a particular steamer or line, as this information is filled in by the steamship company before the vessel clears, but it must show the marks and numbers of

E.P.5M.7-'20

U. S. TREASURY DEPART
Customs Cat. No. 752
T. D. 35969.—Form WTB

mporium Press, 105-11 Wooster St., N. Y. C.

This space for use of Customs.

No 6874263

[Code No. Dist.] [Port.]

S

OF MERCHANDIS

☞ Clearance will
U. S. Gover

ms.

Goods shipped by

hipper.

address #1 Broadw

the exportation of the within-de

s purposes in

States must be stated in the colum

6. Foreign articles exported

as imported must be stated in the

or alteration in the United States

refined in the United States shou

7. The value of articles to be

tation.

8. Description of articles e

machinery, millinery, etc., will no

margarine whether colored or un

9. The kind of packages as

10. The total quantity of ea

be stated. Domestic spirits expor

11. The country of final de

should be exercised to state the f

the United Kingdom, the Nether

12. Inspection certificates.—

issued by the United States inspe

meat food products exported whe

13. Export schedule B may

Commerce, Washington, D. C., a

14. Sale and printing of bl

25 cents per block of 100. The ex

form in width, wording, color, an

To the Collector: I hereby

ified.

ons, etc., must

Special care

ransshipped in

cate of purity

for meat and

Department of

t the price of

to the official

s where freight is forwarded via the Atlantic or Pacific
n through bills of lading to the Far East. Only the signed

NS.

t shipping point.

ɔed to a foreign destination except shipments in transit
licate for merchandise shipped between the United States
ɹur copies of this form must be presented to the collector
l one copy and deliver the other two copies to the shipper.
he other copy with the goods to the inspector of customs
o the steamship company must accompany the goods on
:er with the manifest at the port of discharge. The copy
tions of short shipment, etc., must be delivered to the
nce.
ately above goods shipped thereunder.
: license must be inserted after each commodity in the

ı the high seas, the articles, quantities, and values, and
n transferred or delivered, must be stated on this form.
a through bill of lading, the shipper must prepare the
duplicate for shipments between the United States and
ıy the shipping papers to the port of exportation. If
ɔr mailed separately to the consignee at the seaboard.
ıot the carrier's extract, in a sealed envelope addressed
f sealing noted on the declaration and deliver it with the
for transshipment and exportation the shipper may mail

ıust immediately deliver the original declarations, sealed
vill retain the original and certify the extract and return

ng goods destined for foreign countries or noncontiguous
s clearance will not be granted until the export decla-
he vessel's manifest or car manifest or copy of waybill

ɔreign port, the owners, shippers, or consignors of the
ıs) of the cargo or the parts thereof shipped by them
ations) shall specify the kinds, quantities, and values of
, Rev. Stats., U. S.)
delivering manifest and obtaining clearance, the master
ıch offense. (See sec. 4197, Rev. Stats., U. S.)
ee sec. 1, act March 3, 1893.)
ɹur copies and the oath be taken on the original before a
ɔe signed by the shipper, but the oath may be omitted on
ı is executed by an agent for the shipper the authority
Collector. The values and names of shippers may be
ıust always appear on the original and the copy for use
will be treated as confidential and information not dis-
tistics are compiled from these declarations and all data

or line, as this information is filled in by the steamship co
before the vessel clears, but it must show the marks and num

the packages, the kind of goods, their values, the destination and the export license number, if one is required. The number of copies to be prepared changes at times. At present, two copies must be presented for all merchandise except tobacco, which requires three copies. When merchandise is shipped to a foreign country, the collector of customs retains the original and returns the copy to the shipper. The shipper then sends it to the dock with the shipment or surrenders it to the steamship company when he takes out the shipping permit.

The United States Government publishes a quarterly statement showing the quantity of every kind of goods exported from the country. To prepare these statistics, officials require full information from the shippers regarding weights, quality, etc. A schedule showing just what specifications are required for each commodity is issued by the customs service, but the usual particulars are those that govern the sale of the goods, such as measurement for cloth, weight for provisions and number of articles for typewriters, automobiles, etc. (A shipper's export declaration is attached to this page.)

Inspection Certificate. For process, adulterated or renovated butter and for all meat and meat food products, inspection certificates also must be delivered to the collector, with the export declaration. Such certificates are required in many cases before entry will be permitted in certain ports of the Far East.

Signed Dock Receipt. After the goods are delivered at the wharf for loading and the shipping permit is handed to the steamship company's receiving clerk, he signs the dock receipt and gives it to the representative of the shipper. (A typical dock receipt is reproduced on the following page.)

Ship Bill of Lading. The shipper then prepares the required number of copies of the steamship bill of lading and presents them, together with the dock receipt, at the office of the steamship line. The number of copies varies from three to eleven, depending upon the needs of the steamship company, the exporter, his banker and the transcontinental railroads in cases where freight is forwarded via the Atlantic or Pacific coast on through bills of lading to the Far East. Only the signed

8522. New York, May 24, 1920.

To the Clerk of S. S. Highland Girl

For Kobe, Japan

Receive from Ronald Johnson & Company
the undermentioned packages subject to the conditions of Steamer Bills of Lading and as per clauses endorsed on back hereof.

Sixty-four (64) drums Caustic Soda 45,000 lbs.

To be Delivered on or before May 26, 1920

ALL GOODS MUST BE PROMINENTLY PORT MARKED

Steamer at Pier 2 Bush Docks

This permit is issued upon the following terms and conditions:
1. No goods received after 5 P. M. two days prior to scheduled sailing of steamer. Shippers' attent is called to the necessity of making delivery within the time specified in this permit.
2. No goods received unless accompanied by this Company's form of Dock receipt properly filled o
3. Freight rates are adjusted on the basis of a valuation not exceeding $100 per package; if the val of the goods exceeds such valuation, the same should be declared and a rate of freight based thereon BE A RANGED AT TIME OF TAKING OUT THIS PERMIT, otherwise the goods are received subject to t regular bill of lading provision limiting the value to invoice cost not exceeding $100 per package and no cha will be made therein.
4. The Steamship Company's regular bill of lading shall be issued for the shipment and shippers understood to have acquainted themselves therewith. The Steamship Company shall not become responsi for the goods as carrier until the goods are actually loaded on the Steamer; until such loading it shall be lia only as an ordinary bailee, for loss or damage caused by its fault, and subject also to all conditions, exceptio and limitations of liability contained in its regular bill of lading.

PAN-ASIAN STEAMSHIP COMPANY
44 Whitehall Street
Per J. Black

SHIPPERS DECLARATION NO. 6874263

Shipping Permit issued by steamship company to exporter.

ORIGINAL No. 852

PAN-ASIAN STEAMSHIP COMPANY

44 WHITEHALL STREET

New York, May 25 19

Received in apparent good order, from Ronald Johnson & Company

shipment by the S. S. Highland Girl to Kobe, Japan

shipper's risk from fire, flood, or other causes beyond our control, and subject to the conditions expressed in steamer form of Bill of Lading, including liberty to substitute any other steamer.

MARKS AND NUMBERS	DESCRIPTION
R M Kobe CK 814/277	Sixty-four (64) drums Caustic Soda 44,544 lbs. each drum 31 x 24½ x 24

EXPORT DECLARATION NUMBER 6874263

EXPORT LICENSE NUMBER

L. Green
SUPERINTENDENT

PORT OF DESTINATION MUST BE MARKED ON EACH PACKAGE.

N. B. Bill of Lading must be presented not later than one day before date of sailing.
When PARCEL RECEIPT is desired, notice to this effect must be given to Receiving Clerk.

Attention of Shippers is called to the U. S. Revised Statutes, No. 4202.

Dock Receipt issued by steamship company when shipment is delivered

BUREAU OF [illegible] INFORMATION

copies, usually two or three in number, are negotiable; these constitute what is called a "full set." Negotiability is usually effected by drawing the documents "to order" and by having the shipper indorse them in blank. In such cases, to insure delivery without delay, the name of the actual consignee often is written on the margin of the bill, with a request that he be notified upon the arrival of the goods. (A specimen bill of lading is attached to this page.)

Seek Through Bills. In the case of certain classes of goods of inland origin, it is well to obtain through bills of lading over one or another of the transcontinental railroads at the Atlantic or Pacific seaboard and thence to the foreign port desired. Some of these lines operate their own or chartered steamers and are thus able to offer satisfactory service. Nevertheless, individual attention in obtaining the best ocean rates and seeing that the shipment is not neglected at the port of departure is regarded as important by many experienced American manufacturers. When the goods are shipped on a railroad through bill of lading, it is desirable to stipulate in the insurance certificate that they are covered against loss, whether they go forward by a designated vessel or not, by stating directly after the name of the vessel, "and/or other steamer or steamers of the line," since delay on the railroad or at the port of departure, or some other reason, may prevent the shipment being loaded on the boat named. If the goods eventually go forward by a different vessel, the insurer should be advised promptly.

Ocean Bill of Lading. A steamship company may issue its through bill of lading covering a shipment from the port of departure to the final destination. When such a bill of lading cannot be obtained, rates and information concerning the best way to forward the goods to the ultimate point usually may be had from the steamship company or a forwarding agent.

Banks Want Papers. It may be well to call attention at this point to a particular feature of certain bills of lading and to the relation that it bears to the attitude of the bank to which such documents may be presented. A bill of lading issued by a railroad or express company or by a freight forwarder, does not show that the goods described are actually on

RONALD JOHNSON & CO.

Invoice No. B-640

No. 1 BROADWAY, NEW YORK

Cable Address: "Johnsco", New York

Shipment per Steamer Highland Girl NEW YORK, May 21, 1920.

From New York for Kobe Japan

MARK
R H
Kobe

Sold to Reizo Matsuoka
Kobe Japan

ORDER
Original No. 040
Our No. Japan 87

NOS.	PACKAGES		GROSS WEIGHT LBS.	ARTICLES	PRICE per 100#	TOTAL		
CH 214/277	64	Drums	44544	Cataract Brand 76% Caustic Soda Gross 44544 lbs. Tare 1344 " Net 43200 lbs.	$8.95 C.I.F. MOBE	$ 3	866	40
				Marine and War Risk Insurance for $4055.00				
	Each Drum 31" High 24¼" Diameter 5'6" Circum.							
Ea.	696 lbs. Gross							
"	21 " Tare							
"	675 lbs. Net							

Attachments

Invoice B-648 in triplicate.
Three (3) negotiable bills of lading.
Marine and War Risk Insurance Certificate in duplicate.
One (1) copy Packing List.

We hereby declare that the above described articles are of the growth, product or manufacture of the United States of America or its possessions.

E. & O. E.

RONALD JOHNSON AND CO.
John Johnson
Export Department

For a repetition of this entire invoice cable us the word TOLS. For repetition of any part of this invoice cable us the word opposite the article to be ordered.

EXPORT Invoice—Issued in triplicate. Two copies sent to buyer by different steamers. All significant facts set down for buyer's information: steamer name, number of packages, terms, insurance, marks, weight, code word, etc.

board the ocean vessel. Unless a bank has specific instructions to accept one of these documents, it may refuse to handle the transaction until it has received the steamship bill of lading.

Agent May Issue Bill. As has been pointed out, freight forwarders, and to a less extent some express companies, act as agents in dispatching shipments at the seaboard. If a consignment is sufficiently large, it usually is forwarded on a steamship bill of lading in the usual manner. If it is small, the agent combines it with others in his care and prepares a bill of lading in his own name, consigned to his own agent at a foreign point from which the various lots of merchandise conveniently may be distributed. In this case the forwarder issues his own bills of lading to the respective exporters and the consignees receive the goods from the forwarder's correspondents abroad.

Invoice Instructions. Good invoicing is a requisite in all export trade. When the consignee is thousands of miles away, the invoice is his only means of checking a shipment. It is usually issued in triplicate. (A copy of an invoice is reproduced on the opposite page.) Instructions from the foreign buyer or port should be observed in detail. An instance: Since October, 1919, the Chinese Maritime Customs has required that all cargoes be accompanied by invoices and other documents. The American Chambers of Commerce in China urgently request exporters in the United States to mail invoices so they will arrive with the shipment. Neglect on this or a similar point leads to unfavorable criticism of American business methods.

Seven Invoice Rules. A few rules observed by successful exporters are given for the guidance of those contemplating entering the field of Far Eastern trade.

(1) Avoid abbreviations and trade terms; use full descriptions.

(2) Be specific; state the exact character of the goods; when an article is trimmed with another material, be sure to specify both.

(3) With minute accuracy give the number, kinds and weights of the various packages, specifying the three dimensions of each and stating the markings thereon. The metric system is used for the French possessions, but elsewhere in the Far East the English weights and measures are current.

(4) Calculate the discounts, when granted, so that the net cost

will appear clearly with each extension; use the dollar sign with all prices, extensions and footings.

(5) Indicate the terms upon which prices are based, for example, c. i. f. Yokohama. (See chapter on Selling and Shipping Terms Defined for definition of this and like terms.)

(6) The invoice should bear the name and signature of the exporter, the name and address of the customer, the number or date of the customer's order and the route of shipment with name of steamer.

(7) State whether insurance has or has not been placed.

Invoice Code Word. To facilitate quick reference and repeat orders, it is useful to give a code word for the entire invoice and also a separate word for each item. In addition to the standard codes there are others that readily may be adapted for export use in a particular trade. Many exporters employ private codes prepared especially for them.

Who Signs Invoice? The invoice should be signed always by one having authority to use the firm or company name. As a means to show a customer in the Far East that his business is receiving personal attention, the signature of a member of the firm or of a principal officer is highly complimentary.

Statement of Charges. In addition to the price of the goods there are other charges which must be considered in ascertaining the cost to the buyer. Among these often appear such items as the inland and ocean freight, cartage to the steamer, insurance premiums, consular fees and export boxing charges. These charges should be enumerated on the commercial invoice so that the consignee can see the total at a glance.

Insurance Essentials. The shipment should be covered against the usual risks encountered on land and at sea from the time it leaves the shipper's or manufacturer's warehouse until it is deposited in the consignee's hands or a warehouse at the final destination. In the case of certain kinds of goods which may be subject to the special hazards of theft, pilferage, leakage, breakage, fresh water, etc., specific clauses should be inserted in the certificate to meet this contingency. Insurance usually is effected by the shipper, and the policy or certificate

when issued is indorsed in blank, to make it a negotiable document. When the buyer attends to the insurance, he notifies the shipper of the name of the American agent of the company with which it is placed, and the agent issues a cover note. This does not give the holder right to recover in the event of loss, but merely guarantees that the insurance has been arranged for. (This subject is treated more fully in the chapter on Insurance. A specimen certificate of insurance under an open policy is attached to page 125.)

Other Papers Needed. Various other documents enter into the exporting routine, some of which are required only in particular lines of trade and others which are to be recommended because they indicate courteous regard for the interests and convenience of the foreign buyer. It is well, for example, to advise the customer, in a separate letter, of the mode of shipment and of the arrangements made for insurance and collection. Often a packing list is prepared which gives the information concerning weight, measurements and rates contained in the invoice, but arranged so that one may see at a glance the particulars with respect to each package.

Shipments in Bond. Tobacco and certain other products subject to a stamp tax under the American internal revenue laws may be manufactured in the United States and shipped abroad without paying the tax, by the delivery of a bond to the Federal authorities. Similarly, a bond may be given to cover imported goods which, if placed in a bonded warehouse, can be exported without the payment of duty. This bond is cancelled upon submission of proper evidence that the goods actually have been landed in a foreign country.

Drawbacks on Exports. Refunds of duties collected on imported materials or on products therefrom are paid promptly by the government where these goods are used in the manufacture of articles exported, and drawback arrangements have been made with the government before exportation. Similarly, when domestic alcohol enters in the production of goods exported, the tax paid on such articles may be recovered. Many exporting manufacturers fail to demand drawback because they are unaware of the foreign origin of some of the materials they

Wm. C. Siegert, Stationer and Printer. 72 Beaver St., N. Y.

FACTURE CONSULAIRE

Consular Invoice

Nous soussignés NEW YORK DRILL CO., (for)
The undersigned (Owner or Agent, or &c)

500 STATE ST., NEW YORK *Déclarons*
(Name and address of Owner or Shipper) Declare

que les Marchandises ci-après désignées,
that the following mentioned goods

NOMBRE DE PAQUETS OU COLIS OU CAISSES Number of Packages Boxes or Cases	MARQUES Marks	NOMBRES Numbers	VALEUR Value	DESCRIPTION
	F 5 D CO SAIGON #1	1	$500.00	15/16" TWIST DRILLS

et embarquées sur le S. S. "PACIFIC"
And shipped on the S. S. (Name of Ship)

à la date du 6 JANUARY *adressées à M. M.* FRENCH COLONIAL DRILL
on the date of (date) consigned to (Name and Address of Consignee)

CO., SAIGON, COCHIN-CHINA

Prêté serment devant moi,
Sworn to before me

ce 2 *jour* JANUARY
this day of

1919 Chas. Hopper

sont le produit des Etats Unis d'Amerique,
are the product of the United States of America,
et que la valeur ci-dessus déclarée est correcte.
and that the value above given is correct.

Fait à New York le 2 JANUARY 1919
Date at New York on the (date)

NEW YORK DRILL CO.
(Signature)

By William Blank

CONSULAR invoice for shipment to French Indo-China—Must be signed and attested before a notary and viséed by a French Consul. This consular invoice serves as a certificate of origin also.

use. Much sugar, for example, refined in the United States, is produced from imported raw sugar upon which a duty has been collected; drawback is recoverable when this commodity is exported or incorporated into articles exported.

The purpose of the government in enabling the American manufacturer to use foreign materials virtually free of duty is to place him in a position where he can compete in the world markets on a footing of equality. A manufacturer now using wholly domestic materials may find it advisable, at least for his export business, to change to an imported variety, buying it either directly from abroad or on the market in this country. Often it may prove advantageous to request those producing goods to use materials entitled to drawback and thus reduce the export cost. It is not necessary that the goods be manufactured in bond, but certain regulations must be strictly adhered to.

Obtaining a Drawback. Rates for allowance of drawback are established by the government upon application by the manufacturer. In most cases 99 per cent of the duty paid is refunded to the exporter and one per cent is kept by the government. Opportunity then is accorded by the manufacturer to verify the facts.

Foreign Requirements. Except where otherwise indicated, the documents described above are general and relate to the steps to be taken by the shipper to ship his merchandise from an American port and to obtain clearance for the vessel upon which it is loaded. The procedure to be observed in obtaining entry for the goods into the port of destination varies in different countries. In general, the formalities in the Far East are considerably less than those which obtain in Latin America and certain other parts of the world. Although these restrictions do not become operative until the shipment is presented for discharge abroad, failure to comply with certain of them is attended with such grave consequences that steamship lines often will not sign the bill of lading unless the necessary papers are presented in proper form before the ship clears.

Consular Invoice Visé. For certain goods consigned to French possessions in the Far East, the shipper must swear to a consular invoice before a notary and have it

Declaration and Oath as to American Products or Manufactures Exported to Japan.

MARKS	NUMBERS	NO. OF PACKAGES	DESCRIPTION OF ARTICLES	QUANTITIES OR WEIGHT	PLACE OF PRODUCTION OR MANUFACTURE	PLACE OF SHIPMENT	DATE OF SHIPMENT
R M Kobe	OH 214/277	64 drums	Cataract Brand 76% Caustic Soda	44,544 lbs. gross 43,200 lbs. net	New York	New York, N.Y.	June 1,1920

(120)

UNITED STATES OF AMERICA

STATE OF New York)
COUNTY OF New York) ss.
CITY OF New York)

I, John Johnson do solemnly, sincerely and truly swear that I am Secretary of Ronald Johnson & Co. office at 1 Broadway City of New York State of New York U.S.A. Manufacturers of the above described articles, consigned to Reizo Matsunokami & Co. of Kobe Japan, per S. S. Highland Girl to leave the port of New York State of New York on or about June 1 1920, that all the said articles are respectively, truly and bona fide the manufacture in each case of the place above mentioned in the United States of America, and that in all other respects the foregoing statement as to the said articles is true to the best of my knowledge and belief.

Sworn to before me
this 29th day May 1920
[L. S.] W. White
Notary Public.

Certificate of origin required for Japan. Invoice shown on page 114.

John Johnson

INSTRUCTIONS.

This form of invoice must be used only for goods obtained by actual purchase by a person in the Philippine Islands of a seller in the United States.

It must be made out in triplicate, signed by the purchaser or seller, or agent of either, and sworn to before a collector or deputy collector of customs, or United States commissioner, who will retain the original, deliver the duplicate to the person presenting it, and send the triplicate promptly by mail, or by the master of the vessel, to the Collector of Customs at the port of entry in the Philippine Islands. It must show the names of the seller and purchaser, the time and place of purchase, the actual cost of and charges on the merchandise, and contain a correct description of the merchandise, with the marks and numbers and gross and net weights in the terms of the Philippine tariff, or quantities, as the assessment of duty may require.

The column with the caption "Price" is for the unit of cost, such as 15 cents per kilo, and the column with the caption "Amount" is for the total cost, such as $1,000.

Customs officers will make no charge for the jurat.

OF MERCHANDISE ACTUALLY PURCHASED

CUSTOM-HOUSE INDORSEMENT.*

No. _____

79.

Importer, _____

Vessel, _____

From _____

Arrived _____

KIND OF ENTRY:

_____

MARKS, QUANTITY, AND CONTENTS:

he above indorsement must be left blank for filling

viséed at a French consulate in the United States. It may be written in English, only one copy is required, and it embodies the essential details given in a commercial invoice, except that the weights of the items are omitted. The consular fee is $2.50. (A specimen copy is reproduced on page 118.)

Certificate of Origin. Through a conventional tariff, the duty on certain merchandise imported into Japan may be reduced by means of a certificate of origin, sworn to before a notary public, and viséed by the Japanese consul in the district where the goods were produced, manufactured, purchased or shipped. The consular fee is $2.00. The instrument may be prepared in English; only one sworn copy is necessary for forwarding abroad, but the consul requests in addition a plain copy for his file. Similarly, in the case of certain articles shipped to French possessions in the Far East, the maximum rate of duty may be avoided by swearing to certificate of origin before a notary public and having it viséed by a French consul. The instrument may be written in English, only one copy is required and the consular fee is $2.40. A certificate of origin, whether Japanese or French, contains the essential details of a commercial invoice except that the values are not given. Both the gross and net weights are stated. (A specimen Japanese certificate is reproduced on the opposite page. The French certificate is similar to the French consular invoice on page 118 except that the weights are given and the values are not.)

Philippine Certificate. To avoid the payment of customs duties on American goods imported into the Philippines, the commercial invoice must carry a certificate guaranteeing the American origin of the goods and testifying that no drawback has been or will be claimed. This certificate reads:

"I hereby certify that the above described articles are the growth, produce or manufacture of the United States, or its possessions, and that no drawback of import duties has been or will be claimed thereon, and that this invoice is true and correct in all particulars."

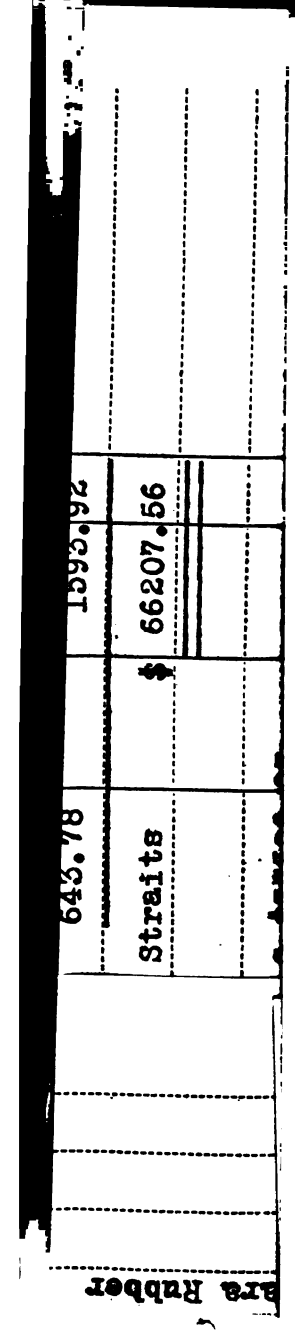
This exemption is not available for rice. The invoice should be prepared in duplicate and should embody the usual details concerning each item of merchandise, including both weight and value. The certificate on each copy must be signed officially and in ink

by the manufacturer, seller or consignor or by an authorized a
Both invoices are then mailed to the consignee who files them
the customs officer in the Philippine port of entry. To obtai
entry for the goods, they must be covered by a bill of lading i
in American territory and showing a through shipment from
point therein to a destination in the Philippines; this is espe
important for consignments routed through Canada or Mex

Philippine Drawback. When a drawback is claimed for a
ment to the Philippines, the package
be marked conspicuously thus: "Drawback Claimed."

Need Special Invoice. When a person in the Philippines purc
foreign goods to the value of more
$100 from a seller in the United States, a special form of invo
required. It is made in triplicate, signed by the purchaser or
or the agent of either, and sworn to before any one of c
United States officials. (A form is attached to the prec
page.) When a consignment consists of both American an
eign products, the articles, if not separately invoiced, shou
segregated and their origin clearly indicated on the invoic
former by the certificate described on page 121 and the latt
the notation, "foreign goods."

Other Requirements. Some countries of the Far East require
an inspection certificate from the U
States authorities be obtained for certain goods before the
imported. In many countries the importation of certain ar
is prohibited absolutely, and there are other commodities
may be entered only when officially authorized or licensed, or
consigned to designated individuals, or when brought in for
ernment use. In many cases there are special regulations co
ing the form or number of invoices or of bills of lading. M
showing the origin, or labels indicating the analysis and qua
of specified articles, also are demanded in certain countries
there are numerous other restrictions which apply only to pa
lar goods. Other information concerning these requiremen
found in chapters devoted to the separate countries. For fu
details, inquiries may be addressed to the various consulates
the Bureau of Foreign and Domestic Commerce, at Washing
Standard shippers' manuals also may be consulted profitably.



643.78	Straits	$ 66207.56
		1593.92

ara Rubber

CUSTOM-HOUSE INDORSE

No. .....

Importer, ...

Vessel, ...

From .....

Arrived .....

KIND OF ENTRY:

.....

MARKS, QUANTITY, AND CONT

BUREAU OF INTERNATIONAL RELATIONS
University of California

FORM No. 140.

CONSULAR CERTIFICATE.

(Date) February 21st, 1919

I do hereby certify that the invoice described in the indorsement hereof was this day produced to me by the signer of the annexed declaration.

I do further certify that I am satisfied that the person making the declaration hereto annexed is the person he represents himself to be, and that the prices given in the invoice agree with the actual market value or wholesale price of the merchandise described in the said invoice in the principal markets of the country at the time of exportation, excepting as noted by me upon said invoice, or respecting which I shall make special communication to the proper authorities.

I further certify .....

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that a fee of $2.50 United States gold, equal to $4.50 (Local currency.) *has been paid by affixing stamps to the duplicate copy of this document.*

Witness my hand and seal of office the day and year

rd shippers manuals also may be consulted profitably.

Forwarding Documents. Whether the documents are forwarded directly by the shipper or by a bank or some other agency through whose hands they pass, it is of the utmost importance that they go forward by the steamer that carries the shipments, or, if this is a freight vessel only, then by the first mail steamer thereafter. If this is not done, heavy fines and storage charges may accrue at the port of destination, for the merchandise usually cannot be removed from the dock without the delivery of a bond, and such procedure is costly and extremely annoying to the customer. The failure of documents to arrive promptly also may have grave consequences in case of loss or damage to cargo, because the steamship company does not hold itself liable for claims thus arising when the papers do not reach port within a certain period, usually three weeks, after the goods are put on the wharf.

Documents for Import. In addition to the general shipping documents above described, the only instrument required for import that need engage our special attention is the consular invoice.

U. S. Consular Invoices. Before a shipment leaves any foreign port bound for the United States, a consular invoice must be sworn to in triplicate or quadruplicate at the American consulate nearest to the point where the goods have been manufactured, purchased or agreed to be purchased, or assembled for shipment to the United States. There are two forms which differ slightly, depending upon whether the goods have been purchased or are sent on consignment. In both cases they recite the usual details given in a commercial invoice, and the fee in each instance is $2.50. If, upon the arrival of the shipment, the relative consular invoice has not yet reached the American port of entry, arrangements usually may be made for the release of the merchandise pending the receipt of the document, by executing a bond to the customs authorities. This bond is cancelled when the consular invoice is presented, but confusion often results through making entry on a pro forma invoice. (A specimen import invoice is attached to this page.)

BUREAU OF INTERNATIONAL RELATIONS
University of California

Insurance—Marine, Theft, Particular Avera

TO RETAIN the good will of the foreign customer, it is imp ant that he be insured against loss or damage to shipm while in transit. In the list below, and on page 131 ap some of the risks his goods incur. Shipments in ocean trade be handled so often and under such varying conditions that insurance is a subject of great consequence.

Risks are Numerous. The possibilities of loss are numerous. depend to some degree on the charac the merchandise to be insured, and the point to which it i signed, but the following may be considered as the most impo contingencies:

(a) Loss of vessel or cargo or damage sustained from stra sinking, fire or collision, including salvage and other charge

(b) Loss or damage by sea water or from risks on shore wh transit, or awaiting shipment, transshipment or delivery, incl those of loading and discharge.

(c) Loss or damage from theft or pilferage, leakage and b age, fresh water, sweat, etc.

(d) War risks, including danger from mines as a result o time operations, riots and civil commotion.

Construed Literally. A marine insurance policy does not all risks, unless so written withou qualifying conditions. Underwriters do not look with favor insuring all risks on merchandise and most policies and certi bear rubber stamp indorsements, or riders, stipulating the risks covered. It is highly desirable that all interested p have a proper understanding of the limitations and conditi the insurance, so that controversies may be averted.

Amount of Insurance. The amount of insurance should be ciently large to meet every eventu It is customary to add at least 10% to the invoice value, pl charges to destination. Freight, duties, port dues and charges cannot be recovered unless they are considered in fixi

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Special Clauses.

"FREE OF AVERAGE UNDER 3% UNLESS GENERAL, OR THE VESSEL BE STRANDED, SUNK, BURNT, ON FIRE OR IN COLLISION: EACH SHIPPING PACKAGE SEPARATELY INSURED."

CANCELLED

e policy the amount at which the shipment is valued. Duty is t recoverable in any case, unless the recovery is specifically ovided for.

heft and Pilferage, eakage, Breakage. One cause of frequent loss, due chiefly to bad packing, is theft and pilferage. It is important that care be taken to make the ackage thoroughly secure, and to have it free from markings iat might indicate the nature of its contents, and thus tempt to ieft. Theft and pilferage are considered separate risks from the :dinary marine perils and are insured only at an extra rate and)r the most part on the basis of the insured's standing 75% of ie loss. If shippers will cooperate with the underwriters by improving their packing and following up claims against whomsoever may be responsible for losses, rates for this class of insurance oubtless will be reduced and better conditions obtained. Another cause of complaint is loss for leakage or breakage, due also) poor containers or poor packing. This risk may be insured t an extra rate. Protection against damage from fresh water, weat, mud, hooks, etc., is not ordinarily included in marine isurance, but can be specially provided for.

s War Risk Obsolete? Insurance against war risks is advisable for a considerable period after the close of iostilities. Floating mines menace navigation as long as they xist, and it may be years before all are eliminated. The risks)f explosion, riot and civil commotion always are present.

)pen Policy Sure. One of the simplest and surest methods of providing insurance is by an open policy. This is an agreement between the shipper—or the buyer—and the inderwriters, whereby the insurance is arranged automatically)n each lot of merchandise. The shipper engages to declare each shipment to the company, which on its part, agrees to protect iim under the terms of the contract up to the maximum limits iamed for any one vessel. On account of the extra rates it is isual to declare the risks of theft and pilferage, leakage and breakige, etc., separately on each shipment. Where the sale is made :.o.b. or c. & f. only, the insurance may be effected by the buyer inder his open policy. If it is necessary to give evidence of the nsurance to the shipper, the buyer advises the insuring company,

BUREAU OF INTERNATIONAL RELATIONS

and the company's agent, when properly notified, delivers a certificate to the shipper. This form of certificate is not a negotiable instrument; it is merely an advice that the shipment has been covered by insurance.

Marine Certificates. Certificates of insurance are issued against declarations made under an open policy by the shipper himself, under authority from the underwriters, or upon direct application to the agent. Special provision for such risks as theft and pilferage and the conditions respecting "average" must be inserted or attached to the certificate and signed or initialed unless appearing in the printed conditions of the certificate itself. Certificates are issued also by the underwriters in lieu of policies where no open policy contract exists; in such cases, it is usual to refer to some open policy number issued by the company for its own convenience and to obviate the necessity of issuing a separate policy. Certificates are negotiable; they always are issued in duplicate. As they constitute a part of the complete set of shipping documents, care should be taken to have them properly drawn up and countersigned. (A specimen certificate is attached to page 125.)

General Average. The question of general average arises when, in face of danger, sacrifices are made by the master of a vessel for the common good, or when damage is caused by water in extinguishing a fire on board ship. Statements are prepared apportioning the general average charges pro rata on the vessel itself, its freight earnings on the voyage and the value of the cargo. The amount so apportioned against a shipment of merchandise is collectible in full under the usual policy of marine insurance, providing the amount of the policy is at least equal to the arrival value of the merchandise, but until paid, or suitable bond is furnished, it is a lien upon the shipment, and delivery cannot be obtained from the steamship people. If the amount of the insurance is less than the arrival value, the underwriters are responsible only for the proportion of the actual charges that the amount of insurance bears to the arrival value.

Particular Average. Particular average differs from general average in that it refers to a partial loss on an individual shipment, from one of the perils insured against. In most cases, the underwriters are willing to pay claims, except for

theft and pilferage, etc., if amounting to 3% of the value of each shipping package, but in some cases, to save the expenses of a survey and cost of handling claims, this so-called franchise is limited to claims amounting to 3% of the value of, say, each 10 bags, or each 25 bags, depending on the commodity insured. Under what is known as "Free of particular average, each package separately insured," the liability is limited to claims involving the loss of one or more whole packages; partial loss of contents of any single package is not insured.

F. P. A. E. C. Clause. The term f. p. a. e. c. means "free of particular average English conditions," a qualifying clause in common use in marine insurance certificates. The correct wording of the clause follows:

"Warranted free from particular average unless the vessel or craft be stranded, sunk or burnt, but notwithstanding this warranty the assurers are to pay the insured value of any package or packages which may be totally lost in loading, transshipment or discharge, also any loss or damage to the interest insured which may reasonably be attributed to fire, collision or contact of the vessel and/or craft and/or conveyance with any external substance (ice included) other than water, or to discharge of cargo at a port of distress, also to pay landing, warehousing, forwarding and special charges if incurred, for which underwriters would be liable under a policy covering particular average."

Under this clause, it is not necessary to prove that the loss or damage was caused directly by one of the three contingencies first mentioned. If fire occurs on board ship, or the vessel is in collision, loss can be recovered if it reasonably can be attributed to that accident or to the risks of discharging the cargo at a port of distress. In such cases, landing, warehousing, forwarding and other special charges are recoverable to the same extent as under a policy for particular average.

Get Expert Advice. Because of its many complications, shippers should not handle their marine insurance without proper advice. It is advisable to negotiate only with brokers who are both thoroughly responsible and sufficiently experienced to know how to give full protection. A bank cannot negotiate drafts nor make payment against letters of credit unless the insurance is in order and is satisfactory evidence of protection against loss. Because of the importance of marine insurance

protection, many large banks have had to create special insurance departments, the facilities of which usually are at the service of their customers.

How to Make Claim. Difficulty frequently is caused by the consignee's failure to give proper notice of loss to the steamship company and the underwriters. Not all claims are recoverable against the steamship company, but it is responsible to a large degree for safe delivery of merchandise for which it issues bills of lading. In cases of theft and pilferage, for example, loss may have occurred through negligence of the master or the crew, and effort should be made to recover from the carrier. If the steamship company disclaims liability, recourse then may be had against the underwriters, provided the risk is assumed, but in any event they will demand subrogation to the rights of the consignee or the shipper against the carrier. In all cases of doubt as to whether the underwriters or the carrier is liable for loss, a copy of the master's protest or other disclaimer of liability should accompany the documents forwarded for collection.

Give Notice at Once. The first and most important step is to give notice of loss or damage to the nearest agent of the company issuing the insurance. If no agency is available, notice should be given to the nearest Lloyd's agent, who will make the necessary survey and issue a certificate to the extent of the loss. This document, together with the insurance certificates, all negotiable copies of the bill of lading, a certified copy of the invoice—including an account of sales at auction if there have been any—and in case of total loss, a certified statement that the goods were on board the ship, should then be forwarded to the person through whom the claim is to be collected. No claim can be collected from underwriters unless the documents are complete. Much time and money are lost unnecessarily through failure to understand this condition.

How to Pack for Export Trade

FEW FACTORS play a more important part in export trade than the proper packing of goods that are shipped abroad. Good packing is the best possible advertisement for the manufacturer. It shows that he has considered the interest of the purchaser and that he is willing to protect that interest. Poor packing is dear at any price. Scientific preparation of the goods for shipment is a problem for the specialist and the expert. Instructions in detail can be obtained from the following sources:

Guides in Packing. (a) "Exporters' Encyclopædia." Gives general rules for packing and exact routes to be followed in shipping.

(b) Bureau of Foreign and Domestic Commerce. The Central Office at Washington and the branch offices give specific instructions through their agents.

(c) Foreign Trade Bureaus. These are maintained by Chambers of Commerce, Export Associations, etc., and always are ready to give specific information upon request.

(d) Foreign Trade Departments in Banks. Nearly all large American banks have departments which furnish information or tell the exporter where it can be found.

(e) "Packing for Export." This pamphlet, issued by the Department of Commerce as No. 5 in its "Miscellaneous Series," contains suggestions on the preparation of American merchandise for shipment abroad based on a compilation of reports from American consular officers. Some twenty-five pages are devoted to proper packing of goods for the Orient.

(f) "Practical Exporting," by Mr. B. Olney Hough. Contains chapters on "Proper Shipments," "Making the Shipment" and "Marine Insurance."

Utmost Care Needed. The charge of faulty packing frequently has been made against Americans. So often have complaints been made that in some quarters a prejudice has been created against goods manufactured in this country. Some offenders, it appears, have been manufacturers seeking

direct trade who were new to export business, and who used the same methods they would employ in packing for domestic shipments. Not all the criticism has been fair, and the assertion has been made in some quarters that agitation against American packing has been fostered deliberately by trade competitors. Nevertheless, Americans must pay close attention to their packing. The Department of Commerce has made a special study of criticisms made and has come to the conclusion that many defects in our system have been remedied.

Expensive Economy. The principal thought manufacturers should have in mind in preparing goods for export is not how little packing is necessary to permit the goods to arrive in good condition, but how much is needed to provide absolutely against the possibility of damage. Economy at the expense of damaged goods is poor economy. Many orders unquestionably are lost simply because manufacturers do not show by their methods of shipping and packing that they are interested in the condition of the goods when they reach their destination.

Begin Reform at Home. The place to start packing reform is at the factory. If the manufacturer deals through export commission houses or agents, it would be wise to have a definite understanding that the latter repack any goods that are not properly prepared for shipment.

Keep on "Safe Side." A principal complaint against American packing is that the containers used are too frail. Cases should be strong enough to withstand the severest pressure, and should be water-tight to protect against damage from rain, sea water or leakage from broken liquid goods. Cases always are preferable to crates, and when it is necessary to use crates they should be strongly braced. Lumber used in making cases or crates should be thick; it never should be less than half an inch in thickness, and sometimes two inches is not excessive. Secondhand cases, cases made of green lumber and lumber with knotholes should be avoided. Green lumber shrinks in a long voyage and the nails do not hold securely. Where a knothole is found, tin should be tacked to cover the inside of the opening. Underwriters appreciate expert packing and insurance rates are favorably affected by it.

Anything liable to damage from hooks should not be put in bales. Bales should be compressed as much as possible and the goods protected by interior wrappings which should include tarpaulin, oil cloth or waterproof paper. The danger of damage by hooks can be lessened by the use of stiff fibre board or thin veneer on the sides and ends of the package underneath the cover.

Perils in Transport. The problem of transporting goods to the Orient is complicated. It involves a knowledge of distances, methods of loading and unloading and conditions on the wharves at the landing point. Not all ships are equipped with mechanical loading and unloading devices that reduce to a minimum rough treatment in the transfer of goods from pier to steamship, and again from steamship to lighter or to pier. The goods generally are handled by longshoremen who pay little attention to the safety of the cargo. Goods that are poorly packed receive little consideration; a weak case sometimes will be buried under hundreds of pounds of other freight. Transshipment always means damage to goods not properly packed.

For Inland Travel. In the shipment of goods to inland points of India or China, still other factors must be considered. The package reaches the ultimate consumer in the Far East by a variety of methods; usually it is carried inland by native carriers—men, donkeys, mules and camels. The weight should be adapted to the capacity of the carrier. A man can carry from 90 to 150 pounds, a mule 200 to 250 pounds, a donkey 150 to 200 pounds and a camel 350 to 400 pounds. These estimates are based on the supposition that packs borne by animals are divided into two reasonably equal parts.

Size and Weight. The steamship company charges either according to weight or measurement, depending upon which nets the greater return. Consequently, it is well to make the shape of the packages conform as closely as possible to the minimum space in which it is to be stowed. Waste material, or what is commonly called stuffing, should be used sparingly. If care is exercised in the selection of cases or the building of crates, there will be no great need for such "filling out."

In some countries, customs duties are levied on a weight basis, and here a knowledge of "tricks of the trade" gives the well-in-

formed trader an advantage. Sometimes it is possible to save duty by mixing the articles in the packages, sometimes by shipping an article in separate parts.

Follow Instructions. When the importer gives specific instructions of any kind about the packing, mailing or making of shipments, they should be followed implicitly, even though to the shipper they may seem unreasonable. The importer knows the local situation and nearly always there is a good and definite reason back of his request.

Labels and Marking. In markings, the determining factor should be easy identification. The lettering should be large and on several sides of the container because of the danger of effacement. Some exporters attach a tag to the merchandise inside the package to insure that it shall not be lost even though all external marks should be destroyed.

Such signs as "handle with care" or "this side up," if used at all, should be in the language of the country to which the shipment is destined, as well as in English. It is not considered advisable to print the name of the manufacturer or the nature of the goods on the outside; this is worthless as advertising and is an invitation to theft. Various methods have been recommended to stop pilfering. Among them is the use of tongued and grooved lumber in making the cases; the strapping of cases and boxes with steel bands and the use of safety clips to bind the top of the case to the sides. Some shippers advise the customers of the net and gross weights of the shipments to check up on any theft in transit. The exporter should be familiar with the marking regulations demanded by foreign customers. Proper attention to marking would eliminate many delays and losses resulting from non-delivery.

Climate a Menace. In sending goods to the Far East, the climate must be taken into account. In addition to the dampness of the sea air on the voyage, there is danger of damage from the excessive moisture in tropical countries. Sometimes shipments are landed on open piers or wharves and exposed to rain or the hot tropical sun for days or weeks.

Tropical heat and moisture and various forms of animal and vegetable life continually menace merchandise. A cheap quality of paper, for instance, lasts only a few years in India. Leather,

textiles, tin, tobacco and books bound with ordinary paste frequently are ruined by mildew and fungoid growths. European shippers have devised effective protection of goods by the use of waterproof linings, zinc or tin-lined cases. Usually these are employed only when asked for by the buyer, and an extra charge is made for them.

Serial Numbering. When there are several cases in a shipment, each case should bear a number which should be noted on the invoice. This makes it easy for the consignee to check the consignment and to discover possible shortages. Serial marking should be used when component parts of a machine or article are packed in different cases, to make it easy to assemble them quickly at their destination.

Consignee's Marks. Consignee's marks may be applied in various ways. Frequently initials are used to prevent competitors ascertaining the destinations of shipments. Sometimes a number also is used, this being either the number of the order or one arbitrarily adopted to identify the merchandise.

Special Requirements. The suggestions in this chapter are by no means inclusive. The Far Eastern field is so large that details of requirements for special kinds of goods or instructions that apply to certain countries, cannot be included in this brief survey. The American exporter soon learns, for example, that this is the only large exporting country whose goods require transshipment in being sent to India. He also gradually comes to realize the importance of care in shipping machinery when different parts are packed in separate boxes. Sizes of packages may be unsuitable for interior transportation in certain countries; he may find he is paying high customs duties needlessly because he has failed to take advantage of certain features of the customs laws; he may never have learned the disadvantages of having a badly packed piece of goods fall from a coolie's head or shoulders.

Care Needed in Dispatching Shipments

If the exporter's factory or warehouse is at the port of departure, or if he has a representative there, his own employes can prepare the necessary documents and attend to forwarding the goods. But as the procedure involves considerable detail, many manufacturers, especially those whose plants are inland, prefer to intrust the handling of their shipments to persons who specialize in such affairs.

Public Forwarders. A brief list of the more important agencies experienced in foreign freight forwarding follows, together with an outline of the services they perform:

(*a*) *Foreign Freight Agents of Railroad Companies.*

The growth of the foreign trade of the United States has compelled many transportation companies to enlarge their facilities for attending to export details. The trunk lines terminating at the Atlantic or Pacific ports are well equipped in this respect

(*b*) *Express Companies with Foreign Freight Departments.*

Some express companies that do a large business abroad include freight forwarding in their service. Their foreign departments are well organized and able to handle shipments of any size with care and expedition.

(*c*) *Steamship Lines.*

Many of the more important ocean lines for some time have been following the policy of forwarding goods consigned to their care and have considerable experience in handling such things.

(*d*) *Foreign Freight Forwarders.*

One of the chief agencies available to the shipper in sending his goods abroad is the foreign freight forwarder. Many of these concerns are exceedingly large and the business has increased rapidly. The larger forwarders maintain agents in the chief ports and cities of the United States, and also at various points in all parts of the world. They are thus often in a position to reduce

expense to the exporter by advising from which port the most favorable ocean rate may be obtained, and to show him how to forward shipments to foreign points beyond the ports of call of the direct steamship lines.

Forwarder's Function. The assistance given by a freight forwarder embraces the following: (a) expediting the movement of a shipment from point of origin to final loading on board vessel; (b) arranging for cargo space and insurance; (c) attending to necessary papers for clearance; (d) preparing and forwarding shipping and financial documents; (e) advancing freight, insurance and other charges; (f) chartering vessels.

Forwarding Charges. Forwarding agents, as well as others who attend to dispatching shipments, usually charge a fee for their services which, although it varies according to the work involved, is nearly always nominal. This, of course, is exclusive of actual expenditures made in the exporter's behalf for insurance, cartage, consular fees, freight and other charges.

Caution Advisable. Some forwarders are more reliable than others, and considering the confidence necessarily reposed in the one selected, care should be taken to choose only from those of high standing. It is a practice of concerns of doubtful rating to take advantage of the ignorance of manufacturers in the interior. Although the methods of such agencies eventually are brought to light, until they are exposed they constitute a source of considerable annoyance and danger to the shipper and to his buyer.

Two Freight Systems. Ocean freight is fixed in various ways, but the general rule is that heavy goods are charged by weight and light goods by measurement. When measurement basis is used, extreme dimensions invariably are taken, even strips of wood attached to the outside of containers being measured. The quotation, "per ton, weight or measurement, ship's option," indicates that the rate will be applied either per ton of 2,240 lbs. or per ton of 40 cubic feet, according to which will net a greater return to the steamship company. The long ton is invariably employed for this purpose. In the Far East, the term "net weight" indicates the weight of the goods in their

original containers; the "gross weight" is that of the package as shipped. Articles of unusual value in proportion to their bulk are charged an additional rate based upon the value, if this is declared, and the liability of the steamship company thereby is increased to the amount fixed by the exporter.

Where Obtainable. Ocean freight rates may be obtained in these ways: (a) in the interior, from railroad or express companies and, in the larger cities, from branches of steamship companies or freight forwarders; when full information is not in their possession, agents will wire; (b) at the seaboard, from freight forwarders, express or steamship companies.

What is Primage? Some ocean rates are net, others are subject to an increase of 5% or 10%, known as "primage." The term formerly referred to money given to the captain or crew to insure special attention to one's cargo. The practice of adding primage as a separate item gradually is disappearing, the amount being included in the rate.

Favorable Rates. Steamships are not always available. As a result, freight rates fluctuate greatly. Due to competitive conditions, a knowledge of the shipping situation is essential if the minimum rate is to be obtained. Because they are in touch with the market and are important buyers of cargo space, forwarders usually can command the lowest rate for any shipment they handle. They often are able also to offer lower rates than the shipper can find elsewhere by allotting to him space for which they already have contracted at figures below the current market.

Minimum Charge. Steamship lines usually fix a minimum amount for which they will issue a bill of lading. Here, again, the ocean freight forwarder has a valuable service to offer. By making a combination shipment of several small consignments and having his representatives distribute each to its proper consignee, he can reduce the expense to all his clients.

Direct or Indirect? Transshipment is necessary for many points in the Far East; for others, one has an option between a direct and an indirect route. The competition between the lines serving the ports where contact is direct is a definite aid in

stabilizing freight rates. When satisfactory terms can be obtained it is advisable to consign by a direct steamer, for transshipment may cause damage to the goods or unforeseen delay in reforwarding. The ocean bill of lading provides that such risks are borne by the shipper, but they can be covered in the insurance.

Freight Prepayment. Advance payment of freight charges invariably is demanded on shipments to the Far East. Unless otherwise provided for, freight and other expenses are included as items in the invoice sent to the customer.

Rates to Inland Points. Importers or agents at the ports of entry usually can obtain better rates for shipping to inland points than can the exporter in the United States. Moreover the details incident to landing and prompt forwarding can be attended to more readily by representatives of the buyers abroad. Unless specifically requested otherwise, the goods should be consigned to the seaport most convenient to the ultimate destination. Rates and information for forwarding inland may be obtained from a steamship company or a forwarding agent.

Routing Economies. The foreign buyer can effect a definite saving in time and money if he will make a careful study of economical routing. After the ocean line has been selected, whenever there is a choice of railroads to the port of shipment, placing the consignment with the one that has a terminal in proximity to the dock where the steamer loads will minimize transfer charges. It is also important, where a railroad has several terminals at the port, that the shipment be directed to the terminal most accessible to the steamer. This is especially important in such harbors as New York, where the transfer distances are considerable and means of transport not always available.

In determining what ocean routes are open, the standard exporters' and shippers' hand books are of great assistance. These are annual publications, however, and cannot always be depended on, since changes in steamer routes, sailings and rates frequently occur. The only way to insure your shipping at low cost, therefore, is to keep watch of all important changes or check up rates and sailings before each shipment. Part of the service performed by public forwarders and transportation agencies consists of keeping the shipper informed so that he may take advantage of

every favorable development. Much information of this sort also is supplied by magazines and newspapers which specialize in export trade news, and by national and local business associations which maintain foreign trade divisions.

Follow Instructions. The American exporter is often criticised because he disregards the instructions or advice of his Far Eastern connections. He is prone to believe that he knows conditions as well as the man who lives and does business there. Every suggestion from the Asiatic importer, especially with reference to the port of entry, should be received with the greatest respect.

Free Lighterage. Export shipments in carload lots are lightered free at New York if the inland bill of lading is marked plainly, "lighterage free." It is of advantage to add the words, "for export," for then the railroad company will hold the goods without charge for a longer period than it would a domestic shipment without imposing demurrage. Bills of lading for less than carload lots should also be marked "for export," to gain the privilege of longer free storage.

Express and Parcels. Small express and parcel shipments are handled economically by freight forwarding concerns because of their ability to accept and combine small packages to fill space available to them under contract. In consequence, charges made by such agencies for limited consignments often are less than the amount quoted by a steamship line for a minimum bill of lading.

Changes in Routes. The war brought about several modifications in routes to the advantage of the American manufacturer. Holland, for instance, is to a less extent a port of transshipment or call for points in the Dutch East Indies, direct service now being available from New York and San Francisco. Direct routes have been established also to the Philippines.

Parcel Post as a Trade Carrier

THE POSSIBILITIES of the parcel post as a developer of commerce more and more are receiving recognition in dealings between the United States and the countries of the Far East. This mail service offers an effective means of approaching new markets by sending small trial orders to prospects or new customers. To a certain degree it can be made to perform the function of a commercial traveler soliciting orders. A small trial order, delivered on time and in good condition, may be made the opening wedge for a business of considerable proportions. Many of the lesser countries of the world would become significant for American trade if cheap, rapid and convenient facilities for the transportation of packages of not too great bulk were open to merchants of this country.

System Incomplete. Parcel post is the quickest and most economical way to send lightweight merchandise from one country to another, and is especially convenient for shipments of sample orders or repair parts. It is employed both by houses dealing directly with the consumer and by those which deal with merchants and importers. In accordance with a program to aid America's trade, the Post Office Department gradually is extending this branch of its service in foreign countries. We now have parcel post conventions with fifty or more countries and colonies scattered throughout the world. Nevertheless, in contrast with the parcel post systems of Great Britain and some other European countries, our own service is markedly deficient. England, for instance, has conventions with 100 or more countries or colonies where we have not. Canada and Cuba are at our doors, yet we have no parcel post interchange with either. To reach many parts of the world, American goods must be sent to British or French ports and forwarded through the parcel post service of those countries.

Handicap to Trade. The small exporter especially could make a greater use of the parcel post if its services were extended. Moreover, some countries—notably England,

Holland and Belgium—permit their exporters to send merchandise C. O. D. by mail to remote countries, at low cost to the buyer and with little risk to the seller. As yet, the United States has no facilities for such a service.

Weight Limits Vary. Exporters by parcel post should remember that the regulations covering weight limits and measurements of packages are not the same for all countries. The size limit is uniform at 3 feet, 6 inches in length, and 6 feet length and girth combined, for all parcel post countries in the Far East, with one exception. This is China, where points which are not served by steam railway or boat, have a measurement limit of one cubic foot. (A list of the offices to which these rules apply can be obtained from any postmaster.) To steam-served offices, on the other hand, parcels can be sent which have a combined length and girth up to 7 feet.

Roundabout Routes. The weight limit of postal parcels to most Far Eastern countries is 11 pounds, though to the 671 offices in China which are served by steam, the limit is 22 pounds, while 50-pound packages can be sent to Shanghai, China, and to Manila and other Philippine ports. Mailable parcel post packages up to an 11-pound limit will be accepted for transmission to British India and other British colonies, via New York and London, under the conditions that apply to parcels for Great Britain. Parcels for Tibet and for cities on the Persian Gulf are accepted for delivery only through Bombay. To Afghanistan there is no through service, but parcels may be sent by private arrangement to be posted at the Afghan post office at Peshawar, India. Parcels to French Indo-China may be sent to Havre or any other French port, whence they are forwarded by French parcel post, or they may be sent via the Pacific ports and Hong Kong to Saigon. The Japanese handle parcels for Korea, Formosa and a large part of Manchuria. Where we have not parcel post conventions, the limit in size for parcel post delivery is four and a half pounds.

Extra Charges Levied. Our foreign parcel post rate has been uniform at 12 cents a pound or fraction thereof, but in certain countries there are additional transit charges which must be prepaid. On parcels for Afghanistan, Borneo,

Ceylon, British India, the Malay States, the Straits Settlements and Tibet, these charges are 24 cents for every package weighing up to 3 pounds, 48 cents on packages from 3 to 7 pounds and 72 cents on packages from 7 to 11 pounds. On parcels less than two pounds in weight destined for French Indo-China a transit charge of 45 cents each must be prepaid, and on parcels from 2 to 11 pounds a charge of 55 cents each. In China, parcels for offices north of Mukden, Manchuria, and in the Province of Yunnan when sent by way of Hong Kong and Indo-China, are subject to a delivery charge of 50 cents each, Chinese currency, collectible from the addressee.

Prohibited Articles. With definite exceptions, any article admissible to the domestic mails of the United States may be sent to countries with which parcel post conventions have been signed. Nearly every country, however, has a list of articles especially prohibited. For a list of these consult post office circulars on foreign parcel post mails or the "U. S. Official Postal Guide."

How Trade is Lost. The regulations covering the use of the parcel post are deserving of special study. Stacks of packages are side tracked in the foreign mail stations of Pacific coast cities every week because of the carelessness of the senders or their ignorance of the rules of the service.

Packing for Security. Packing for foreign markets requires more attention than for the domestic trade. It frequently happens that where an article exceeds the weight limit, it can be divided into two or more parts and sent advantageously by mail. No parcels will be accepted for mailing that are not securely wrapped in strong rope or fiber paper. Many parcels are packed in such condition that they cannot be forwarded. Usually this means prolonged delay. This is a point on which the shipper can hardly be too painstaking because of the extreme distances over which the packages are carried, the rough means of transportation frequently employed and the lack of facilities for protecting them. To pack goods economically, the shipper should know local conditions and the climate of the country to which they are to be sent. Heavier and waterproof coverings are needed for interior transit than for seacoast points. Suggestions

as to suitable packing are contained in the Official Postal Guide.

Rules Repay Study. Frequently a careless shipper will prepare a parcel that will exceed the weight limit of the country to which it is destined. Parcels often are sent to countries with which we have no parcel post convention; these have to be returned and stamped to be sent by first class mail. All parcels must be in unsealed packages, to the cover of which a customs declaration, properly filled out and giving the actual contents, their value, etc., is attached. No parcel post package can go forward except to Hawaii, the Philippines and Shanghai, unless this formality has been observed. In these declarations, general terms like "merchandise" or "samples" will not suffice; the description of the contents must be specific. The shipper also should make sure that the parcel always carries the required amount of postage. The words "Parcel Post" should be written clearly in the upper left hand corner, and as in the domestic service, each parcel should be addressed plainly in ink and should bear the name and address of the sender in the upper left hand corner.

Payment of Duties. N. Y. Circular 7 ("Foreign Parcel Post Mails") contains the following information regarding customs duties: "Customs duties on parcels for or from foreign countries cannot be prepaid by the sender; they will be collected from addressees when the parcels are delivered. Dutiable articles received in the United States in parcel post mail will be rated and charged with the proper amount of customs duty by the customs officer at the United States exchange post office at which said mails are received by the postmaster delivering the article." Customs duties can be ascertained by reference to the "U. S. Postal Guide."

Special Regulations. Specific regulations governing parcel post service for the countries of the Far East are too numerous to be included here. Helpful suggestions can be obtained from the sources already referred to, the "Exporters' Encyclopædia" or "Export Trade Suggestions" No. 35 in the "Miscellaneous Series" issued by the Bureau of Foreign and Domestic Commerce.

Where to Find Trade Information

BECAUSE OF its romance and glamour, its remoteness and inexhaustible possibilities of interest, the Far East has been a favorite subject for writers of all times. Much of what has been written regarding its social, political and geographical conditions has both direct and indirect value to anyone who contemplates engaging in trade in that part of the world. For general reading, few travel books have the charm and interest of those which describe the travels of Marco Polo in these lands centuries ago. The sources from which one may draw specific information regarding trade conditions are numerous and varied.

Banks Give Counsel. Commercial banks which make a specialty of foreign business, for instance, maintain foreign departments equipped to give specialized service of particular value to merchants and manufacturers who are launching into export trade. This service begins with counsel on market conditions abroad; the countries to which the product is especially adapted, and the most satisfactory method of effecting its distribution there. It also helps in the solving of various detail problems involved in working out an export policy, developing an export plan and establishing the routine by which sales are promoted, orders filled and the merchandise sent to customers.

Get Special Reports. Supplementing this general information and advice, definite arrangements can be made for thorough investigation of the market conditions and possibilities and specific points on which information is desired; for confidential reports on the character and standing of firms available as representatives; for dependable credit information on prospective customers, and for answers to a multitude of questions arising out of differences between customs and practices in the United States and abroad. No bank can act as your selling agent abroad. Neither can it give you the kind of information about local markets and merchants which a traveling representative could obtain by visiting and studying each locality from the viewpoint of your business. But your bank has facilities for obtaining information

which in the first place will give you a sense of direction, and later will supplement and check your own sources of market and credit information. Don't try to unload your own responsibilities on the bank; but, on the other hand, don't neglect the valuable aid which your bank is always ready to give you.

Trade Bodies Help. Among the important commercial bodies that are either actively concerned in affairs regarding foreign trade or have divisions specializing in foreign trade information are: Merchants Association of New York; Pittsburgh Foreign Trade Commission; Massachusetts State Industrial Commission, Boston; Chicago Association of Commerce; American Manufacturers Export Association; National Association of Manufacturers; Philadelphia Commercial Museum; also the Chamber of Commerce of the United States, Washington, D. C.; and the Chambers of Commerce at New York, Cleveland, Detroit, St. Louis, San Francisco, Los Angeles and other cities.

Foreign Trade School. The National Foreign Trade Council, New York, is one of the organizations foremost in furthering commercial activity overseas. From time to time it issues reports and pamphlets on subjects connected with exporting. Through the initiative of its chairman, a School of Foreign Service has been established at Georgetown University, Washington. The school is designed to meet the needs of persons who plan to go abroad as commercial representatives or in the consular and diplomatic service.

Export Houses. Export commission houses also are a fertile field of information. Most of them have the advantage of years of experience and thorough knowledge of the markets in which they operate. They have agents in the principal cities of those markets and department heads at home who are acquainted with the needs of those countries. Many transcontinental railroads have organized departments to promote foreign trade, equipped to be of service to the exporter or the man who contemplates entering that field.

Government Agencies. An important official source of information is the Bureau of Foreign and Domestic Commerce, of the Department of Commerce. If there is no branch

office near, correspondence and inquiries should be addressed to the Bureau at Washington. (For a detailed outline of its activities see chapter on Bureau of Foreign and Domestic Commerce.) Other government departments and bureaus which furnish advice and information include the Bureau of Navigation, Bureau of Markets, Department of Agriculture; Bureau of Mines, Geological Survey, Department of the Interior; the Tariff Commission and the Federal Trade Commission.

Trade Advisers. The foreign trade advisers represent the commercial service of the Department of State, and in the course of their duties confer with foreign embassies on trade affairs. They obtain information on methods of gaining concessions from foreign governments; they assist in recovering rebates when over-charges have been made by foreign custom houses; they help collect information regarding business affairs which require diplomatic co-operation, and assist in analyzing the effect of legislation upon commercial treaties.

Commercial Attachés. Commercial attachés are appointed to foster trade development abroad. Their duties include the analysis of trade problems and other commercial questions. They are expected to keep in constant touch with business developments in their districts. They are on the staffs of our embassies and legations, but they work under the direction of the Department of Commerce.

Consular Trade News. The consular representatives of the United States in the Far East collect and report much information relating to trade and commerce in their districts. Ordinarily they may be addressed directly regarding commercial opportunities or problems having to do with their districts, but the subject first should be submitted to the Bureau of Foreign and Domestic Commerce, as the information desired may be available at Washington without further effort. (See chapter on Consuls as Trade Pathfinders.)

Special Trade Agents. Special agents make careful and exhaustive investigations regarding the possibilities of extending American trade in particular lines in certain countries or zones. They are chosen usually for expert knowledge of condi-

tions in the particular line of business which they are delegated to investigate, or because of acquaintance with the regions on which they are to report. The results of their investigations are published in the "Special Agents' Series" which may be obtained from the Superintendent of Documents, Government Printing Office, Washington, D. C.

Trade "Ambassadors." Within the last year, the Department of Commerce has launched a vigorous campaign to develop fields of trade in the Far East, South America and Europe. It has sent commercial "ambassadors" abroad to report trade opportunities for American manufacturers and exporters. One of these "business pilgrims," for example, was assigned to investigate the needs for industrial machinery in the Far East, principally in British India, China, Japan and the Philippines; another is covering the Dutch East Indies and others are making similar investigations in contiguous territory. Reports on some of these investigations may be expected in the near future.

Government Publications. Special reports on conditions and opportunities in particular countries or zones are made from time to time by commercial attachés, consuls and special agents. A complete list of these publications may be obtained through the Superintendent of Documents, Government Printing Office, Washington. A few titles follow:

General.

Daily Commerce Reports.
United States Official Postal Guide (supplements published monthly).

Special Consular Reports.

No. 67. Cordage and Twine Trade in Foreign Countries.
No. 68. Tobacco Trade of the World.
No. 72. British India: Notes on Ceylon, Afghanistan and Tibet.
No. 74. Japanese Cotton Goods Industry and Trade.
No. 76. Proprietary Medicine and Ointment Trade in China.
No. 93. Paper and Stationery Trade of the World.

Special Agents' Series.

No. 86. Cotton Goods in Japan and their Competition on the Manchurian Market.
No. 91. Pineapple Canning Industry of the World.
No. 92. Canned Goods in the Far East.

No. 94. Japanese Markets for American Lumber.
No. 99. Cottonseed Industry in Foreign Countries.
No. 100. Philippine Markets for American Lumber.
No. 104. China and Indo-China Markets for American Lumber.
No. 107. Cotton Goods in China.
No. 108. Teak in Siam and Indo-China.
No. 115. Cotton Goods in the Straits Settlements.
No. 120. Cotton Goods in the Dutch East Indies.
No. 123. Cotton Goods in Ceylon.
No. 124. Cotton Goods in British India, Part I, Madras Presidency.
No. 127. Cotton Goods in British India, Part II, Bengal Presidency.
No. 138. Cotton Goods in British India, Part III, Burma.
No. 149. Cotton Goods in British India, Part IV, Bombay Presidency.
No. 157. Cotton Goods in British India, Part V, Summary of Trade, and Part VI, Cotton Manufacturing.
No. 161. Shoe and Leather Trade in the Philippine Islands.
No. 170. Motor Vehicles in Japan, China and Hawaii.
No. 172. Electrical Goods in China, Japan and Vladivostok.
No. 173. Shoe and Leather Trade of China and Japan.
No. 180. Far Eastern Markets for Railway Materials, Equipment and Supplies.
No. 186. Chinese Currency and Finance.

Miscellaneous Series.

No. 5. Packing for Export.
No. 35. Export Trade Suggestions.
No. 44. Trans-Pacific Shipping.
No. 50. Far Eastern Markets for American Hardware.
No. 59. Methods of Computing Values in Foreign Trade Statistics.
No. 78. Trade of the United States with the World, 1917–18.
No. 81. Selling in Foreign Markets.
No. 84. Commercial Handbook of China.
No. 85. Paper Work in Export Trade.
No. 97. Training for Foreign Trade.

Get the "Map Habit." Next to traveling and learning conditions firsthand, one of the simplest ways to familiarize oneself with foreign territory is to cultivate the "map habit." Everyone connected with foreign trade should have ready access to a good map or atlas; when maps are on the wall they probably will be used more often.

Many persons probably never have stopped to realize that the Island of Java, one of the Dutch East Indies group, is only some 300 square miles smaller in area and 4,000,000 less in population than England. To choose another illustration, the map discloses that Peking is in the same latitude as Philadelphia and that Vladivostok actually is two and one-half degrees farther south than Venice, though in the minds of many the former is associated with the regions of the cold and stormy north, while the latter is connected with the sunshine of the temperate south.

Choice of Atlases. Every organization engaged in Far Eastern trade should have one or more good atlases. Any of the following will serve the purpose:

Atlas of the World's Commerce, by J. G. Bartholomew. London: G. Newnes & Co., 1907.

Atlas of Economic Geography, by J. G. Bartholomew. New York: Oxford Press, 1914. $2.

Mercantile Atlas of the World. London: Geo. Philips & Son, 1909. Third edition. $20. (C. S. Hammond & Co., 30 Church St., New York.)

Doubleday, Page & Co.'s Geographical Manual and Atlas, by C. O. Sylvester Mawson, Garden City.

Commercial Atlas of America. Chicago: Rand, McNally & Co. $20. Annual.

Statistical Atlas and Gazetteer of China. (A large, elaborate volume published by the North China Daily News and Herald, Shanghai, China. Contains highly specialized information on China.)

Reference Libraries. General works of reference, such as encyclopædias, year books, commercial geographies, gazetteers and guide books, are indispensable in an exhaustive study of trade conditions in the Far East. They usually are available in the reference rooms of public libraries, and in the libraries of large banks and business organizations specializing in foreign trade. Concise information of great value is found in the following volumes (specific titles covering the Far East are included as illustrations of the kind of material available for virtually every large country):

Statesman's Year Book. Edited by John Scott Keltie, New York: Macmillan Co. Annual.

Exporters' Encyclopædia. New York: Exporters' Encyclopædia Co. $7.50.

India Year Book. Bombay: Bennett, Coleman & Co. Annual.

The China Year Book. New York: E. P. Dutton & Co. Annual.

Russian Year Book. Official. London: Eyre & Spottiswoode. Annual.

China Year Book, by H. T. Montague Bell and H. G. W. Woodhead. New York: E. P. Dutton & Co. Annual.

Sheldon's Export Trade. New York: Sheldon Publishing Co. $2.

Shipping World Year Book: Shipping World Office, Effingham House, Arundel St., Strand, London.

Directory of Merchants, Manufacturers and Shippers of the World. New York: Kelly Publishing Co. Annual.

Export Trade Directory: Johnston Export Publishing Co. New York.

Chinese Directory and Far East Business Guide for 1917. Hong Kong: J. R. Flynn Anderson.

Directory and Chronicle for China, Japan, Korea, Indo-China, Straits Settlements, Malay States, Siam, India. London: Hong Kong Daily Press, 1918.

American Export Trade Directory, edited by B. Olney Hough. New York: Johnston Export Publishing Co. $5.

Mercantile Year Book of Exporters in England, Italy, etc., edited by Walter Lindley Jones. London: Lindley Jones & Brother, Bishopsgate, E. C.

Export Register. New York: Export Manufacturers of U. S., Inc. $15.

Customs Tariffs of the World. New York: Kelly Publishing Co. $5.
Publications of the British Board of Trade. London: Eyre & Spottiswoode, Ltd., East Harding St.
United States Customs Tariff and the Free List: Act of Congress, Aug. 5, 1905. Chicago: G. W. Sheldon & Co., 1909.
U. S. Tariff Commission. Annual Report.
Shuey's Bibliography of Foreign Trade Publications, issued by the ten Bosch Company. (A classified list of books and magazines.)

For Statistical Information:

Monthly Summary of Foreign Commerce of the United States.
United States Commerce and Navigation.
United States Statistical Abstracts.
United States Monthly and Weekly Reports issued by different Administrative Departments.
United Kingdom—Trade with Foreign Countries.
Japan—Annual Returns of Trade.
Philippine Islands—Annual Report of Bureau of Customs.
China—Annual Returns of Trade.
India—Sea-borne Trade and Navigation.
Ceylon—Customs Returns.
Siam—Foreign Trade and Navigation of the Port of Bangkok.
Straits Settlements—Returns of Imports and Exports.

Trade and Commerce. The war created an unusual interest in the theory of foreign trade and the general principles of financing. As a general guide these volumes are suggested as authoritative and illuminating:

Practical Exporting, by B. Olney Hough. New York: Johnston Export Publishing Co., 1915.
Selling Latin America, by W. E. Aughinbaugh. Boston: Small, Maynard & Co., 1915.
American Foreign Trade, by Charles M. Pepper. New York: Century Co.
Trading with Latin America, by Ernest B. Filsinger, New York: Irving National Bank, 1917.
The Awakening of Business, by Edward N. Hurley, New York: Doubleday, Page & Co., 1916.
Principles of Commerce, by H. G. Brown, New York: Macmillan Co., 1916.
History of Domestic and Foreign Commerce of the United States, by Emery Johnson and others. Washington: Carnegie Institute, 1915. 2 volumes.
Commerce and Industry, by J. R. Smith, New York: Henry Holt & Co., 1916.
Trade of the World, by J. D. Whelpley, New York: Century Co., 1913.
Some Aspects of the Tariff Question, by F. W. Taussig. Cambridge: Harvard University Press.
Ocean Traffic and Trade, by B. Olney Hough. Chicago: La Salle Extension University.
International Trade and Foreign Exchange, by H. G. Brown, New York: Macmillan Co., 1914.
Elements of Foreign Exchange, by Franklin Escher. New York: Bankers Publishing Co., 1917.
A B C of Foreign Exchanges, by G. Clare. New York: Macmillan Co., 1893.
Tate's Modern Cambist (Revised), by H. Schmidt. London: E. Wilson.
Eastern Exchange, Currency and Finance, by W. F. Spalding. New York: I. Pitman, 1917.

Industrial and Commercial Geography, by J. R. Smith. New York: Henry Holt & Co., 1913.
International Geography, by H. R. Mill, New York: D. Appleton & Co., 1909.
Course in Foreign Trade. New York: Business Training Corporation. 12 volumes.
The Panama Canal and International Trade Competition, by Lincoln Hutchinson. New York: Macmillan Co., 1915.

Books on Far East. An exhaustive bibliography of the Far East would fill a large volume. The list which follows contains a few of the sources drawn upon in compiling the present volume:

Official Guide to Eastern Asia, prepared and published by the Imperial Japanese Government Railways, Tokyo. 5 volumes.
Murray's Handbook for Japan.
Murray's Handbook for Travelers in India, Ceylon and Burma.
Far Eastern Tropics, by Alleyne Ireland. Boston: Houghton Mifflin Co., 1915.
Mastery of the Pacific, by A. R. Colquhoun. New York: Macmillan Co., 1902.
The Awakening of the East: Siberia, Japan, China, by P. Leroy-Beaulieu. New York: McClure, Phillips & Co., 1900.
The Far East, by A. J. Little. Oxford: Clarendon Press, 1905.
Our Eastern Question, by T. F. Millard. New York: Century Co., 1916.
Reshaping of the Far East, by B. L. P. Weale. New York: Macmillan Co.
Problems of the Pacific, by Frank Fox. Boston: Small, Maynard & Co.
Empires of the Far East, by Lancelot Lawton. Boston: Small, Maynard & Co., 1912. 2 volumes.
Japan at Firsthand, by J. I. C. Clarke. New York: Dodd, Mead & Co., 1918.
Japan's Inheritance, by E. B. Mitford. New York: Dodd, Mead & Co., 1914.
The Japanese Nation, by Inazo Nitobe. New York: G. P. Putnam's Sons.
Japanese Empire and Its Economic Conditions, by Joseph Dautremer. London: T. Fisher Unwin, 1910.
Philippines Past and Present, by D. C. Worcester. New York: Macmillan Co., 1914. New edition, 2 volumes.
Americans in the Philippines, by J. A. LeRoy. Boston: Houghton Mifflin Co.
Trade and Administration of the Chinese Empire, by H. B. Morse. New York: Longmans, Green & Co., 1913.
The Changing Chinese, by Edward A. Ross. New York: Century Co., 1911.
Commercial Handbook of China, by Julean Arnold. Washington: Bureau of Foreign and Domestic Commerce.
Finance in China, by S. R. Wagel. Shanghai: North China Daily News and Herald, Ltd., 1914.
Chinese Currency and Banking, by S. R. Wagel. Shanghai: North China Daily News and Herald, Ltd., 1915.
Foreign Financial Control of China, by T. W. Overlach. New York: Macmillan Co., 1919.
Across China on Foot, by Edwin J. Dingle. New York: Henry Holt & Co.
China's Business Methods and Policy, by T. E. Jernigan. London: T. F. Unwin, 1904.
China Revolutionized, by J. S. Thomson. London: T. W. Laurie, Ltd., 1913.
Guilds of China, by H. B. Morse. New York: Longmans, Green & Co., 1909.
Overland to China, by A. R. Colquhoun. New York: Harper & Bros., 1900.
India's Silent Revolution, by F. B. Fisher. New York: Macmillan Co., 1919.
Economic Transition in India, by Theodore Morison. London: J. Murray.
Business Prospects in India, by A. T. Stewart. London: F. Hodgson, 1915.

Foundations of Indian Economics, by Radhakamal Mukerjee. New York: Longmans, Green & Co., 1916.
Burma Under British Rule, by J. Dautremer. New York: Scribner's, 1913.
Siam: A Handbook of Practical, Commercial and Political Information, by A. W. Graham. Chicago: F. G. Browne & Co., 1913.
Lotus Land: Southern Siam, by P. A. Thompson. London: T. Werner Laurie.
Russia: Its Trade and Commerce. Edited by Arthur Raffalovich. London: P. S. King & Son, Ltd., 1918.
The Real Siberia, by J. F. Fraser. New York: D. Appleton & Co., 1902.
Siberia, by M. P. Price. London: Methuen & Co., 1917.
All the Russians, by Henry Norman. New York: Scribner's, 1904.
Tibet the Mysterious, by T. H. Holdich. New York: F. A. Stokes Co., 1906.
Manchuria, by A. Hosie. New York: Scribner's Sons, 1904.
Manchuria and Korea, by W. Whigham. New York: Scribner's Sons, 1904.
Notre France d'Extreme Orient (Indo-China), by Duc de Montpensier. Paris.
Java, Sumatra and the Other Islands of the Dutch East Indies, by A. Cabaton. New York: Scribner's Sons.

Export Magazines. Several magazines of general appeal devote special articles or departments to the subject of commerce, trade conditions, and business opportunities in the Far East. Some of these periodicals have special staffs of trained writers who study trade requirements abroad and publish the result of their inquiries and observations. Excellent weekly and monthly reviews published by various trade organizations are useful because of specific details they publish regarding conditions and opportunities. Interest in the development of foreign trade also is evidenced by the attention which important newspapers are devoting to export problems. Following are a few weekly and monthly publications:

Publications by Organizations and Financial Institutions

Asia: A Monthly Magazine, American Asiatic Association, New York.
The Nation's Business: Chamber of Commerce of the U. S., Washington, D. C.
Association News: American Manufacturers Export Association, New York.
Weekly Bulletin: American Manufacturers Export Association, New York.
Export American Industries: National Association of Manufacturers, New York.
Semi-Monthly Bulletin and other publications of the Foreign Trade Department: National Association of Manufacturers, New York.
Current Affairs: Chamber of Commerce, Boston, Massachusetts.
Merchants Association Review: Merchants Association, New York.
Weekly Export Bulletin: Philadelphia Commercial Museum, Philadelphia.
Publications of the National Foreign Trade Council, the U. S. Chamber of Commerce, Chambers of Commerce in many cities, the International Commerce Association and several large banks in New York and elsewhere.

General Export Trade Magazines

American Exporter (Editions in English, Spanish, Portuguese and French): Johnston Publishing Company, New York.

Commercial America: Philadelphia Commercial Museum, Philadelphia.
The World's Markets: Dun & Company, New York.
Export American Industries: National Association of Manufacturers, New York.
Dun's International Review: Dun & Company, New York.
Importers Guide: J. E. Sitterley, 47 Broadway, New York.
Commerce and Finance: T. H. Price Publishing Company, New York.
Exporters Review: Exporters Encyclopedia Company, New York.

General Magazines with Export Slant

World's Work: Doubleday, Page & Company, Garden City, L. I.
System: A. W. Shaw Company, Chicago, Ill.
Printers' Ink: Printers' Ink Publishing Company, New York.
Business Digest: Arrow Publishing Company, New York.
Scribner's Magazine: Chas. Scribner's Sons, New York.
Economic World: The Chronicle Company, New York.

House Organs and Publications

Foreign Trade Bulletin: American Express Company, New York.
The Americas: National City Bank, New York.
Export World and Herald: American Trading Co., New York.
Exporters' and Importers' Journal: H. W. Peabody & Co., New York.
American Export Monthly: Arkell & Douglas, Inc., New York.
Russia (Siberian Trade): R. Martens & Co., New York.

Export Trade with Far East

Millard's Review: Millard Publishing Co., Shanghai, China.
Trans-Pacific: Japan Advertiser Bldg., Tokyo, Japan.
North China Herald, Shanghai, China.
Far Eastern Review: 5 Jinkee Road, Shanghai, China.
Pan-Pacific: Pan-Pacific Corporation, San Francisco, California.
Pacific Ports: Frank Waterhouse & Co., Seattle, Washington.
The Philippines: Clarence Colman, Manila, Philippine Islands.
Eastern Commerce: 25 Water St., Yokohama, Japan.
Dutch East Indian Archipelago: A. A. van der Kolk, Buitenzorg, Java.
Philippine American Review: 305 Broadway, New York.
The Far East (commercial supplement), Tokyo, Japan.
Australasian & Canadian World: London, England.
Indian Trade Journal: Calcutta, India.

Bureau of Foreign and Domestic Commerce

IN THE Bureau of Foreign and Domestic Commerce is centered the United States Government's work in the promotion of American trade abroad. This Bureau, through its representatives, draws information regarding commercial conditions from every part of the world, and now is equipped to aid the American manufacturer and exporter in trade with the Far East as it never has been before. During the war the possession of dependable trade information about all the neutral countries and all the principal business houses in each became of prime military importance. In collecting this information through various co-operating agencies, including the consular service, the War Trade Board not only brought together and classified for immediate use a great mass of facts and figures, but it also evolved new methods of expediting investigation and new standards of personal efficiency and responsibility.

Compiling War Data. To much of this information and to the most effective of these methods, the Bureau of Foreign and Domestic Commerce has fallen heir. The task of classifying and condensing this great volume of data of various kinds into orderly and useful shape has been great and is not yet completed. When it is finished a long step will have been taken in co-ordinating the work of all the government agencies which can be made to contribute to the up-building of the country's foreign trade. The Bureau, moreover, will be placed in the position of a clearing house for compiling and publishing the valuable trade and business data now scattered through the various government files in Washington and elsewhere, which heretofore have been difficult of access because of a lack of centralized authority over information sources.

Many Publications. The Bureau, indeed, has exercised this function of compilation and publication of foreign trade information for several years, bringing out in various forms the results of investigations made by American consuls, commercial attachés and special agents abroad. These range from

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statistical abstracts and general surveys of trade opportunities in various foreign markets to intensive studies of specific trades and industries from the viewpoint of American exporters and importers. Many of these reports are given away free; for others a nominal charge is made. Upon request, a list of them will be supplied by the Superintendent of Documents, Government Printing Office, Washington, D. C. The chief of these publications are:

Commerce Reports and Supplements.
Special Agents' Series.
Special Consular Reports.
Tariff Series.
Statistical Publications.
Directories of Latin-American Countries.
Miscellaneous Series.

Commerce Reports. The Bureau issues a daily publication called "Commerce Reports" (annual domestic subscription $2.50 a year; foreign, $5 a year) which can be obtained direct from the Superintendent of Documents at the Government Printing Office, Washington, D. C., or through any of the Bureau's District Offices. This contains data collected by consuls in all parts of the world. Changes in foreign tariffs are announced therein. One page is devoted to "Trade Opportunities," which are requests for agencies, representation or direct information concerning the sale of American goods. Announcements of needs by certain government departments appear from time to time.

Tariff Information. A foreign tariff department is maintained by the Bureau. Changes in tariffs are collected and published in special bulletins and in "Commerce Reports." Inquiries also may be addressed to the Bureau regarding special phases of particular foreign tariffs.

Statistical Data. The Bureau compiles tables of exports and imports of the United States and foreign countries. A plan for an enlarged classification of both imports and exports, together with an important revision and extension of the monthly, quarterly and annual foreign trade statistics, has been announced. The schedule has been approved by the Secretary of the Treasury and the Secretary of Commerce and is undergoing detailed

examination by experts of the Treasury Department. It is hoped to put it into operation January 1, 1921.

Special Divisions. Special departments, each devoted to the special interests of a certain part of the world, have been established. Among these are the Far Eastern Division, the Latin American Division and the Russian Division. These co-ordinate the activities of the Bureau in all matters relating to the territories in question, act as official representatives in promoting foreign commerce, answer inquiries regarding trade conditions in the countries within their field and maintain a staff whose members will interview manufacturers whenever they desire information.

Many Branch Offices. The Bureau operates many Branch Offices for the convenience of exporters. Following are lists of the District and Co-operative Offices:

District Offices:

New York, 734 Custom House.
Chicago, 1424 First National Bank Building.
Boston, 1801 Custom House.
St. Louis, 402 Third National Bank Building.
New Orleans, 1020 Hibernia Bank Building.
San Francisco, 307 Custom House.
Seattle, 848 Henry Building.

Co-operative Offices:

Cleveland Chamber of Commerce.
Philadelphia Chamber of Commerce.
Cincinnati Chamber of Commerce.
Cincinnati, Southern Railway, 96 Ingalls Building.
Los Angeles Chamber of Commerce.
Chattanooga, Southern Railway, South American Agent.
Portland, Ore., Chamber of Commerce.
Dayton, Ohio, Greater Dayton Association.

Consuls as Trade Pathfinders

THE IMPROVEMENT and development of our consular service, both as regards the calibre of its personnel and the character of its facilities for commercial service, have been urged for a number of years; with America's expansion in international trade, the agitation has assumed virtually the form of a demand. It frequently is pointed out that in comparison with competitors in foreign fields, Americans are at a decided disadvantage in this respect. To win at all is possible, it is agreed, only because of the superiority of our goods or of our business methods over the goods or methods of others.

Standard of Fitness. Leading European nations long ago recognized the importance of the post of consul. The British consul, for instance, is almost always a man of educational accomplishments, experienced in business affairs, trained in diplomacy and equipped to understand and promote the trade policy of his country. He is chosen because of his fitness for the work required; not because he is a "deserving" worker for this or that political party. Moreover, he enters upon his work usually with the intention of making it his career, and promotion is the reward of merit; he is not appointed for a term dependent in length upon partisan retention of the control of government.

Flaws in Our System. A few months ago, the American Manufacturers Export Association announced the result of a sweeping inquiry into our consular representation. The investigation revealed that a salary of $2,500 a year is not sufficient to enable a consul to live in a foreign country in a way to maintain his self-respect or to have access to superior sources of information. The report of the investigators made recommendations that the men assigned to this important service should be educationally equipped for their work; that they should possess a knowledge of world affairs in general, and of business specifically; that they should learn the language of the people among whom they are stationed, and that the compensation should be sufficient to spur the consul to the utmost effort in behalf of his country.

Need Wider Vision. One benefit which the World War has brought us is an apparent broader vision towards the commercial functions of the consular, and perhaps even the diplomatic establishment as a whole. In this connection it is worth observing that both France and England since the war have removed their consular services bodily from the control of their Departments of State and have placed them under the government departments corresponding to our Department of Commerce. The addition to our present diplomatic establishment of agents with functions exclusively commercial might prove a valuable asset to America's trade interests. This plan was tried out extensively in Europe as a war measure. Great Britain, to name only one of our trade rivals, is setting an example of broad vision and liberal extension of consular service. Years ago, the British government established a separate consular service for the Far East to insure permanence and interest by its representatives in their work.

Duties of Consuls. There are four or five hundred consular posts scattered throughout the world. The consul's chief concern, naturally, is for his own executive branch, the Department of State. His reports include information of all kinds for the protection of American interests and for recognition of their rights. Scarcely less important is his work in connection with the extension of American trade through co-operation between the Department of Commerce and American manufacturers and exporters. He is required to make a thorough commercial survey of his district and to submit reports on business and trade conditions regularly to the Bureau of Foreign and Domestic Commerce. These reports are distributed, upon request, to American manufacturers. The surveys are general, dealing principally with American sales opportunities. Whenever possible they call attention to products of the countries in which they are stationed which may interest buyers in the United States.

How They Can Help. Consuls can aid American trade in many ways, both by acting upon their own initiative and by responding to needs presented to them by business men. They are prepared to answer all inquiries promptly, to report in detail on trade opportunities, to inform American manufacturers on trade conditions and to make special investigations

when so directed by their department. They can keep the American exporter posted on packing methods, the best routes for shipments, customs duties, information about local demands, prices of commodities, the customary terms on which sales are made and many other data.

What One Consul Did. One instance that often is cited as illustrating how a consul can help his nation's trade is that of a young German who was stationed in a rubber growing district near Singapore before the war. When the trees are tapped, the fluid rubber runs down the trunk and is caught in small receptacles not unlike a cup. The rubber planters were using cups of tin of British manufacture, which, because of the climate, rusted quickly and had to be renewed. The German observed this defect and experimented among the planters with aluminum cups. Soon thousands of the German cups had been ordered. The English tin cup trade was doomed and the makers then turned their attention to aluminum, but by the time they had perfected a cup, German manufacturers, at the suggestion of their consular representative, had made a glass cup superior to either of its predecessors.

Letters to Consuls. To get the full benefit of the advice and specific information our consuls may offer, letters, while concise, should be complete. They should ask in exact detail the questions the writer wants answered. An exporter who contemplates entering the consul's field should furnish complete data as to the nature of his business. The letter should say what the writer is willing to do, the basis on which he will make sales, the conditions under which he is prepared to establish an agency, whether he will advertise, and what his facilities are for output and shipping. Form letters sent to various consular agents serve no purpose, particularly in a group of countries where conditions vary so greatly as they do in the Far East. To insure prompt response in case the consul is absent from his post, letters should not be addressed to him personally, but to the American Consul or the American Consul General.

Powers Restricted. American consuls are forbidden to give information regarding the credit, capital or methods of payment of houses in their territory, though they

can quote the opinion of a bank or commercial agency regarding a firm's reputation, and can list as prospective purchasers only those in good standing. They have to be careful not to antagonize the officials or citizens of the country in which they are stationed. They must treat all inquiries on the same basis and must supply all information to American manufacturers or exporters without discrimination. They cannot handle goods for they are not in business, though they may be able to find buyers for the goods.

Consuls are not in a position to help greatly in the distribution of catalogues, though occasionally a consul is willing to aid the American manufacturer even in this way. A similar condition applies to the sending of samples. Some consuls may help distribute them, although they are under no obligation to do so. In countries where sample shipments are subject to duty, payment should be provided for before they are shipped to the consul.

Aids to Service. To offer the greatest aid to business, the reports of the consular agents must be timely. Under present conditions, they frequently are delayed so long in reaching the hands of those who are interested in their contents that much of their value is lost. The general information which our consuls submit to the Department of Commerce is printed and circulated on a large scale, but it possesses only a fraction of the value it might hold if it could be presented at the time and in the places where it is most needed.

Lists and Postage. The addresses of consuls may be obtained from the Consular Bureau, Department of State, Washington, D. C. A complete list, with addresses and regulations, is given in the "Exporters' Encyclopædia." In places where consular agencies have been established, they are subject to the direction of the nearest resident consul.

A fine of double the amount due must be paid by the consul if letters are sent with postage short paid. Answers to letters are forwarded through the Department of State and no postage for them is necessary.

Japan, Our Best Customer in the Orient

JAPAN EMERGED from the Great War richer in money than ever before, with economic resources vastly more developed and with commercial and political opportunity more promising than at any time in her history. The national debt in 1919 was less than it was when Germany began hostilities. Money was plentiful. Japanese investments in other countries were more than half a billion dollars. Foreign trade, which in 1914 totalled $680,000,000, was $2,136,209,000 in 1919, an increase of 214% in five years. Bank deposits in the same period had increased by half. Industrial activity was on an unprecedented scale. Merchant ships carried the flag of the Mikado to ports where it never had been seen before. The nation was not alone progressive; it was aggressive. Its status in the family of nations had changed. It no longer was merely a country of the East; it had advanced to where it might fairly assert it was the controlling Asiatic Power.

Japan's New Strength. This is the people that Americans find in the Western Pacific today, prepared at once to contest as rival for the commerce of the Far East, and to meet us halfway in the exchange of those commodities we desire for the articles they must have. It is, in effect, a nation re-born, far better equipped than before the conflict both to compete against us and to engage with us in trade that is to our mutual advantages.

Trade Need Mutual. Like the other nations in the war, Japan is deep in preparation for the commercial contests of peace. For a decade before 1914, her balance of trade was adverse, but during the four years that followed, a favorable balance was built up of $720,000,000. This was not maintained in 1919, when the imports totalled $1,086,534,000, as against $1,049,675,000 in exports, but toward the end of the year, industry and trade began an expansive movement, and a determined effort may be looked for by the Japanese to keep the balance in their favor. Their leaders in finance and industry are urging amalgamation—combination of productive capacities, trading organiza-

tions and banking facilities—to meet the competition growing constantly keener as war days recede.

Japan and America. In Japan's program, the United States should play a big part. The two countries are ideally situated for commerce. For twenty years the United States has been the best customer Japan has had in the world market. From 1907 to 1916, Japan's exports to this country averaged 31.1% of her total. In 1913, the year before the war storm broke, we took 29.2% of her exports, as compared to 24.3% to China and 19.3% to Great Britain, France and Italy combined. In 1919, our share of the total was 36.3%. There appears no reason why this trade cannot continue, as the products we get from Japan are such as we cannot produce ourselves. Japan, on the other hand, should buy even more from us than in the past. The war brought to us Japan's custom in many things—notably machinery and products of iron and steel—which formerly was given to Great Britain and Germany. These products she should continue to buy. In addition there is the demand for raw materials which this country always has supplied and which should increase as Japan's industrial activities expand.

Market of 77,000,000. The empire of the Japanese comprises some 4,000 islands, small and large, extending from the southern tip of the Okhotsk Peninsula in Siberia, in a chain southwesterly to Formosa; the former Kingdom of Korea, now the Province of Chosen, on the Asiatic mainland; part of the island of Sakhalin, off the Siberian coast, and several groups of islands in the Pacific which were taken from Germany. The area, exclusive of Sakhalin, Chosen and the former German possessions, is 174,933 square miles, or about the size of the New England States, New York, Pennsylvania and Maryland. In this territory is a population of more than 60,000,000 which, with the inhabitants of Chosen, constitute an economic block of 77,000,000.

Places for Agencies. Nearly all the people—excluding those in Formosa and Chosen—live in the four islands of Hondo, Kiushu, Shikoku and Yezo. Therein are the ports, industrial centers, agricultural lands and the seat of political and intellectual life. Foreign trade activity is centered around the thirty-five treaty ports, most important of which are Kobe,

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Yokohama, Nagasaki, Niigata and Hakodate. Americans who wish to establish representatives in Japan usually select one of these cities or Tokyo, the capital. Yokohama is the principal port in trade with the United States. Through it passes 36% of the nation's commerce. Kobe has an equally extensive share in the international trade of the Empire. It is used by all the principal steamship lines. Near Nagasaki are rich coal mines. Tokyo is the largest city, with a population at the beginning of 1919 of 2,331,860. Osaka, the industrial center of the Empire, has been called the "Manchester of Japan" because of its great cotton spinning factories. Approximately 10,000 industries of one kind or another are centered in and around the city.

Emphasize Courtesy. By nature the Japanese are cheerful and contented. Courtesy is a characteristic trait. The personal touch in business means a great deal to the Japanese. Dealing with them the American exporter should remember he is in contact with people with centuries of traditions behind them more or less unfamiliar to us. Their point of view is different from ours, and things cannot always be judged upon their face value. The fact, for instance, that the Japanese merchant does not undertake business transactions with the readiness and dispatch of the American does not mean he is less shrewd or clever. For centuries he has been trained to caution, suspicion even, in business ventures. He is deliberate in every enterprise.

Growth of Trade. The wonderful prosperity which came to Japan during the war is reflected in her commerce with the United States which, in 1919, was greater than her total trade before the war. Exports to us grew from $92,236,700 in 1913 to $409,853,200 in 1919. Imports from this country increased in the same years from $61,204,180 to $366,364,600. This gives a total of $776,217,800 as compared with $575,717,750 the preceding year, and $440,010,000 in 1917. The return toward normal conditions has been accompanied by an extensive readjustment, but America's opportunity in Japanese trade is threefold: We can supply profitably manufactured articles of a kind in which Japan has only a limited supply of raw materials; we can supply raw materials which Japan is without, and our trained mechanics can manufacture certain articles for which the Japanese workman is not especially adapted.

Materials Lacking. The problem set up by her lack of raw materials is serious to Japan. Poor in natural resources, the nation has had to rely for much of its supplies upon the United States and other countries. Her 1919 imports f om the United States included raw cotton to a value of $149,716,000; manufactures of steel, iron and tin, more than $58,000,000; tanned leather, boots and shoes, $2,700,000; leaf tobacco, $2,364,000; rosin, $1,925,000; dyes and dyestuffs, $3,200,000; sewing machines, nearly $1,000,000, and quantities of wheat, flour, sugar, woolen yarn and goods, railway equipment, building material, machinery, electrical goods, glass and glassware, condensed milk, paper, paraffin, fir and zinc. Raw silk is the largest item on the list of exports to the United States, amounting, in 1919, to $256,114,000. Exports of woven silk to this country exceeded $26,000,000; silk wearing apparel, $1,450,000; tea and soya beans, more than $10,000,000 each; millinery materials, $3,500,000, and matting, $3,260,000. Other articles absorbed in quantity by the United States included porcelain, earthenware, walnuts and tungsten ore.

Industry has a Boom. The country is becoming rapidly industrialized. In 1919, there was invested in new ventures $1,340,311,000, while $693,976,000 was put into the expansion of existing enterprises. Within a year the Oriental Steel Company has opened at Tobato, in northeast Japan, a plant which is expected to produce 350,000 tons of pig iron a year. This will be converted into 300,000 tons of steel ingots, which will supply material for nearly 280,000 tons of plates and castings. Thus far, Japan has had to rely largely upon the United States and Great Britain for steel. Her needs are more than 2,000,000 tons a year; her production, about 600,000 tons. In 1900, less than 1% of the country's demand for steel bars was produced at home.

Cotton Manufacturing. The cotton spinning industry in 1919 represented a capital investment of $90,000,000. The mills of the country contained 3,227,000 spindles and plans are now under way to install 1,500,000 more. The country's needs exceed 2,000,000 bales of raw cotton annually, a large part of which is furnished by America. Japan's foreign trade in cotton yarn has grown greatly since the war began. Her exports in cotton cloth in 1919 had a value of $126,500,000, a jump of $104,000,000 in a year.

Labor Influence Felt. In view of this history, it is not surprising that the strength of labor should have begun to make itself felt. Wages virtually have doubled in the last few years. Japanese manufacturers have found it necessary to raise the price of many products because of increased costs for labor and the enormous advance in the price of raw materials. Printers and several other classes of workers have been organized according to trades. In 1914, there were in the Empire only fifty strikes, involving some 7,900 strikers. In 1918, there were 417 strikes, and the number of workers involved was 66,457.

All this has tended to increase production costs and to this extent has helped to equalize advanced costs for American manufacturers engaged in Far Eastern trade. Even under present conditions, the position of the Japanese workman can hardly be said to compare favorably with the workers of America, and a much g eater readjustment is likely.

Industries Staple. In manufacturing, Japan has sought to put her industries definitely on a staple basis. Her factories employ more than 1,000,000 workers. The chief industries include cotton, silk and hemp spinning factories, textiles, knitted goods, earthenware and porcelain, glass, bricks, tiles, lacquer wares, matches, hides and skins, vegetable oils, sake and other liquors, sugar, wheat flour, straw braids, toys, mats and matting. All these products are exported. The fishing industry is important and flourishing. The annual output of tinned salmon alone exceeds 500,000 cases. The deep sea hauls include whales, sharks, tunny and bonito.

Coal and Minerals. Japan's mineral production is more than $250,000,000 a year. Coal deposits are estimated at 8,000,000,000 long tons, chiefly bituminous. The annual output is 25,000,000 tons, with a value of $140,000,000. Among the valuable metals found are gold, silver, copper, lead, platinum, tin and zinc. Natural oil has been known since 668 A. D., and development on a large scale was begun with American machinery in 1890. The total production of refined oil products now is approximately 90,000,000 gallons.

In certain manufactures, Japan, because of natural aptitude, abundance of the necessary raw materials and specialized methods, has proved her superior ability. On the other hand, the United

States is better equipped for large scale production, and it will be years before Japan can do without the products we can send her.

Equipment Demands. There are more than 7,500 miles of railways in Japan, of which the government owns more than 6,100 miles. Most of these are narrow gauge, although fairly practicable for speed and heavy traffic. An elaborate plan to substitute standard gauge for the present system is under consideration. This, if adopted, would open a wide market for supplies of a kind in which America is a big producer.

The development of native electrical equipment and accessories is marked, though it will be long before the country will be independent of foreign markets. At the beginning of this year there were nearly 750 electrical companies of various kinds with an aggregate capital of more than $400,000,000. Of these, 626 companies were power supplying concerns and 90 were owned by railway and tramway corporations. Investment in electrical plants is growing. Orders upon American and British manufacturers for machinery in this industry have been heavy recently. Seventy per cent of all cities with more than 10,000 population are supplied with electricity.

Hydro-electric Plants. The abundance of water supply makes possible the generation of electricity at a minimum cost, and lack of coal has helped the development of hydro-electric power. Consumers enjoy a low rate policy and electric service is widely distributed. Japan will be a strong factor in the electric trade, especially in the manufacture of small articles like fans and motors, incandescent lamps, toasters, percolators and the like. Labor still is so cheap comparatively, and is so susceptible to training, that despite all the delicate operations involved, ordinary tungsten bulbs can be produced by hand in Japan at a cost no greater than by machinery, largely automatic, in the United States.

Farming is Intensive. Development of manufacturing has not been at the expense of agriculture, which continues the nation's chief livelihood. The country has outgrown its ability to feed itself. Farmers never have been more prosperous, and prices for their products in the last year have reached record levels. The farmers have paid off almost all the mortgages in-

curred at high interest before the war, and now are lenders rather than borrowers. The government offers every protection to farming. The cultivated area of Japan proper exceeds 13,000,000 acres. About 70% of the farms are less than 2½ acres in size, and the methods used are so intensive that they make the process one of gardening rather than farming as understood in this country.

Silk Production. The chief products are rice, wheat and other cereals. Silk culture is one of the oldest industries, and in this the Japanese are without superiors. Exportations of raw silk in 1919 passed $261,000,000 and nearly all of it came to the United States. Japanese tea is mostly green tea. It has a different flavor from that grown in China and India, due to differences in climate and manufacture. The 1918 crop was valued at more than $13,000,000. The rice yield from approximately 7,500,000 acres has exceeded 250,000,000 bushels. The production of vegetable oils is in the neighborhood of 90,600 long tons annually. The country gradually is lessening the need of relying upon China for its supply of hemp and flax from which linen yarns are made. More than anything else in the raw materials line, Japan needs iron, cotton, wool and rubber. Nearly half the area of the Empire, or about 46,600,000 acres, is under forest, and many varieties of timber and wood are produced in quantity.

Two Good Seasons. Travel in Japan presents no unusual difficulties to the experienced traveler. The best time to visit the country is in the spring or autumn. June brings heavy rains and travel becomes most disagreeable but not impossible. The climate in Japan proper is usually mild; from July to September, very warm. The hotels frequently are overcrowded in the spring—the favorite tourist season. Late spring and early summer are a riot of color, with their blankets of cherry blossoms, peonies, azaleas and wistaria. Autumn, with its chrysanthemums and turning leaves, is scarcely less gorgeous.

Routes of Approach. Ocean travelers from America arrive at Yokohama. Those who go by sea route via Suez direct or through China, land at Nagasaki or Shimonoseki. Formerly, many persons traveled by the transcontinental line through Siberia, but this traffic has been stopped by the turmoil in both European and Asiatic Russia.

Inland Travel Easy. Some highways of the islands are suitable for automobiles and carriages, but not many. Nearly all are adaptable to the use of jinrikishas. National roads radiate from Tokyo to all important cities and towns. Japan has more than 1,400 miles of electric tramways, on which 4,500 cars are operated. An electrified suburban railway runs between Tokyo and Yokohama. Tokyo has an elevated railway and a motor bus service which operates 118 passenger buses and 58 motor trucks. A proposal has been made to construct a $100,000,000 subway in Tokyo. The jinrikisha always can be obtained for a small fee.

Sea Service Adequate. One of the most remarkable of Japan's war developments was the expansion of its shipbuilding and merchant marine. The coasting service in home waters and the ocean navigation service offer unusual facilities for frequent and convenient transportation. This is a result of the government's definite policy to help her foreign trade. In 1919, there were 734 ships larger than 1,000 tons, with an aggregate tonnage of 2,263,225, which flew the Japanese flag, an increase of more than 100% since before the war. After the signing of the armistice, there was a change in the routing of Japanese ships by which thirty-nine vessels with a total tonnage of 265,797 were put into service to and from the Pacific ports of North America, and nineteen boats with a tonnage of 103,044 in the direct trade to New York.

Need no Passports. Ordinarily no passports are necessary for travel. The country is open to subjects of all nations having treaty relations with Japan. Customs examinations of luggage is fair, and no real inconvenience is experienced by those who open up everything freely. Personal effects are not subject to duty. Luggage need not be re-examined at various ports if certificates of inspection are attached to different articles at the port of departure.

Barrier in Language. The Tokyo dialect is almost standard. The Japanese language is not easy to learn, and, in turn, the Japanese have no unusual facility in mastering foreign languages. Although we as a nation are spending millions of dollars every year in missionary work in Japan and China, and

have welcomed youths from those nations as students in our colleges, even to the extent of providing scholarships, we have done little to give our own people opportunities to learn the civilization of Asia. Thousands of Chinese and Japanese can read newspapers in English, but few Americans can peruse intelligently a Japanese publication. The barrier of language still is serious.

Business Progressive. Business is so highly developed in Japan that it would be impossible in a work like this to detail methods necessary to effect sales. Direct representation, either through traveling salesmen or local agents, is virtually indispensable. There are manufacturers who purchase direct, importing wholesalers, retailers who import directly, etc. In addition to the usual wholesale and retail transactions, the Japanese have another called *naka-tsugi*, which consists of buying and selling articles on a large scale through a commission agency. Japanese importers usually ask credit up to two months after the arrival of shipments. In all retail dealings purchases are made for cash, but in wholesale and *naka-tsugi* transactions money is paid after fifteen days or a month.

Trade Organizations. There are five distinct economic groups: Companies, business guilds, co-operative societies, bourses and Chambers of Commerce. The first business concerns in the Empire organized on a company basis were the Kawase Kwaisha (Exchange Company) and Tsusho Kwaisha (Trading Company), both established in 1870. In 1914 there were 16,858 companies. In 1901 a law was enacted establishing the Juyo Russan Dogyo Kumiai Seido (Important Products Union Guild System), under which come all the self-governing guilds composed of the producers of the principal products of the country. The Bourse System was established in 1893, when the new law of exchange was enacted. In 1916, there were forty-two bourses. There are sixty Chambers of Commerce operating on a system not unlike those in Europe and America. The most prominent are those of Tokyo, Osaka, Kyoto and Yokohama. Their membership exceeds 52,000.

State Aids Business. The government observes a benevolent policy toward commerce and industry in many lines. It has adopted a protective tariff principle. Most

of the railroads and all raw materials under the soil are nationalized. An almost similar control has been obtained over the merchant marine through subsidies.

Many Trade Museums. The Imperial Commercial Museum was established by the Government in 1896 to encourage the nation's foreign trade. It is an organ of trade information for everyone in over-sea commerce, and furnishes facilities to extend native markets for home products. It issues reports with news and correspondence relating to industries at home and abroad. It exhibits foreign and Japanese trade samples, domestic and foreign catalogues, publications relating to commerce and reports on commercial conditions.

The interesting Commercial Museum established in Singapore under the direction of the Department of Agriculture and Commerce seeks to stimulate the advance of manufacturing industries and develop the foreign trade of the country. It aims to serve as a central base for Japan's commercial operations in the South Sea islands, especially in Java and Sumatra. The government also maintains a museum at Harbin to aid trade development in Manchuria, Mongolia and Siberia.

More than 2,000 Banks. There are more than 2,000 banks, including savings banks and industrial and agricultural financial institutions, which, combined, had paid up capital of $205,859,000 in 1919, and carried in deposits $2,147,518,600. All the ordinary banks are under the control of the Minister of Finance. Prominent among the institutions is the Bank of Japan. Together with the ordinary smaller banks, it supplies the needs of home trade. Subject to government regulation, it issues bank notes. The Yokohama Specie Bank was established to meet the requirements of foreign commerce. With its numerous branches, it is well known in the business world, as it provides extensive exchange facilities to importers and exporters. The Industrial Bank of Japan does a trust business, handles bonds and stocks and takes care of the importation of foreign capital. The Hypothec Bank of Japan—with provincial banks serving as branches—finances large industrial enterprises. In addition are the Colonization Banks—those of Hokkaido, Taiwan and Chosen—which, on a limited scale, do for the possessions what the Bank of Japan does for the Empire as a whole.

Many Foreign Banks. To aid trade, Japan is planning to establish banks at every important point where her merchants are developing markets for exports. Several foreign banks already are well intrenched in the principal ports of Japan. Among them are: The Hong Kong and Shanghai Banking Corporation, the Chartered Bank of India, Australia and China, the Mercantile Bank of India, the Russo-Asiatique Banque, the Banque de l'Indo-Chine, the International Banking Corporation and the Park-Union Foreign Banking Corporation. Intimate relations exist between the United States Federal Reserve Board and the Bank of Japan as a result of the visit, last year, of the Japanese Finance Commission. There is a demand for capital in all forms, and high rates of interest are given and charged.

Currency Stabilized. Based on gold, the currency in circulation includes copper, nickel and silver coins and bank notes issued by the Bank of Japan. The circular letter of credit system is maintained between the large Japanese banks and their foreign correspondents. The following denominations are in use: Copper coins—5 rin, 1 sen, 2 sen; nickel coins—5 sen; silver coins—10 sen, 20 sen, 50 sen; gold coins—5 yen, 10 yen, 20 yen; convertible bank notes issued by the Bank of Japan—1 yen, 5 yen, 10 yen, 100 yen. The gold coins are rarely used in ordinary transactions; instead, the convertible notes of the Bank of Japan are submitted. The coinage unit is 2 fun = 0.75 gr. of pure gold = 1 yen piece. 1 yen = 100 sen = 1,000 rin = $.50 (American).

Field for Advertising. All forms of advertising are effective in Japan. The vogue of signs and electrical displays is apparent in the cities and bears witness to a wide appeal made by illustrated advertising. There are several English newspapers. Seventeen Japanese daily publications have a circulation of more than 2,000,000.

Protect Trade-Marks. To be registered, trade-marks must consist of letters, devices or signs or their combinations. They must be conspicuous and distinctive. The fee is 20 yen for each registration or renewal, and ten yen for an associated trade-mark. The term of exclusive use is twenty years. It is important that American manufacturers exercise extreme care in registration to protect their marks abroad. So

many difficulties have arisen through neglect or through indiscriminate imitation of marks not properly protected by the owner that this becomes one of the difficult problems of the manufacturer in the United States.

Documents Needed. A "certificate of origin" is required on shipments of certain kinds to obtain the advantages of the conventional tariff. In cases of doubt whether the certificate is required, the Japanese consul should be consulted. There are no government restrictions as to weight, marks, etc. Shipment of opium, tobacco and firearms is prohibited. Raw materials are virtually exempt from customs duties. United States consular offices are in Yokohama, Nagoya, Kobe, Nagasaki and Hakodate.

Information Service. In 1918, the Japanese Tourist Bureau was established jointly by the Imperial Government Railways and other railway and steamship companies, hotels and firms dealing with tourists. It supplies letters of introduction and information and affords special facilities gratis to tourists. The head office is in the Imperial Government Railways Building, Tokyo. It has branches in Dairen, Seoul (Keijo), Taipeh (Taihoku), Yokohama, Kobe, Shimonoseki and Nagasaki. There are agencies, also, in the United States, and in Europe, Australia, India, the Straits Settlements and China.

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BUREAU OF INTERNATIONAL RELATIONS
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America's Trade in the Philippines

WITH EVERY year of contact with Americans, the standard of living of the Filipinos has risen. Their needs have grown more complex as they have become better acquainted with the outside world. The keynote of American rule has been education, and as education has advanced, there have been offered to the islanders a wider view, stimulus to endeavor, improved methods of living and greater opportunity.

A People Transformed. It is only a little more than twenty years since the United States rescued the Philippines from a condition almost mediæval in its economic and social aspects, and began the task of transforming the mixed and semi-savage population into a people fit to take place among enlightened nations. For a system of government for the benefit of a few at the expense of the many was substituted a system which aimed at the greatest good for the greatest number. The American school and the American school teacher were put to work. An educational system was established which now embraces more than 700,000 pupils, and which is intended, by 1923, to include every child of school age in the islands. American ideas, customs and practices were introduced with American machinery, American-made cloth and other manufactured goods. The Filipino was led, encouraged, coaxed and sometimes pushed into line with the new order of things. The result has been a people youthful and regenerated, at least in part, in which are important possibilities for themselves and the rest of the world.

U. S. First in Trade. Hand in hand with broadening perspective has gone economic development. In 1905, the total foreign trade of the islands was $63,228,965, almost evenly divided between imports and exported goods. In 1919, this trade had risen to $231,758,000, composed of $113,118,000 in exports and $118,640,000 in imports. Moreover, while in 1905 the share of the United States in the foreign commerce of the islands was only 33.9%, in 1919 we furnished 59.3% of all the goods imported and took 58.6% of the exports. It is true that rising prices have

been a considerable factor in the increased values, but it is equally true that the trade possibilities of the islands hardly have been touched. With increased development of resources, they should be a rich field for American goods.

Are Natural Traders. The Filipinos of today are apt pupils in new ideas, especially when they feel assured the undertaking in question will mean success. As a race they are fundamentally individualistic. Their kindness and consideration in dealing with foreigners, children and the old are proverbial. Courtesy is an inherent trait. Due perhaps to their Chinese strain, they have a talent for trade and commercial activity. Quickness is a national characteristic, and relying upon intuition rather than reasoning by analysis, they usually manage to hold their own even with the proverbially clever American.

Slow in Developing. In their conception of work, we find the two extremes represented in the Chinese and the Filipino. To the Chinaman, work means a chance to live. It is a more or less pleasing conception, and all his traditions, national and personal, are those of work. With the Filipino, work is not always considered a privilege. He has no traditions definitely connected with it nor as yet a full conception of the ultimate benefits to be derived from it, because in only an incomplete degree has he been made conscious of these benefits.

The Filipinos still lack self-reliance and also facilities for the development of industry. They are dependent in great measure upon foreign capital and ingenuity to supply things they most need. The Philippine Bureau of Commerce and Industry in 1919 announced that there were then 1,386 domestic corporations with authorized capital of $103,500,000. British investments then totalled $670,000,000, Americans had $272,000,000 invested and Japanese and Dutch interests were represented by investments respectively, of $61,500,000 and $28,500,000.

Great Latent Wealth. It has been estimated that if the native fisheries, land, manufactures, commerce, mines and forests were developed to their full extent, enough food and wealth would be produced to supply the needs of 60,000,000 people instead of the 9,000,000 now there. As it is, great areas of rich soil are undeveloped and other great areas are compara-

tively unproductive from lack of labor and capital. Waste is prevalent in the utilization of many raw products.

Lacked Initiative. Before the American occupancy, the Filipinos were ignorant of foreign market possibilities of their wares. For instance, the people, though possessing remarkable manual dexterity, had no lace, hat or embroidery industry of commercial importance. Their eyes had not been opened even to the opportunities presented by the tourist trade. Under new conditions, the Filipino has not been slow to recognize the advantage accruing from proper distribution and sale of his products. In consequence, handmade embroidery and lingerie now are exported to the value of $2,250,000 annually.

Native Development. Coincident with the gradual development which, as far as possible, has preserved the resources of the islands for the Filipinos, has been a more rapid development arising out of the superior advantages offered by the United States for the natural and normal exploitation of the islands' resources. In the sugar, copra, hemp, lumber and tobacco industries—to which may be added increasing rubber possibilities—lies the promise of a brilliant future. The Philippines are a latent source of supply, also, for tropical products. They produce, or might be made to produce, most of the things which the United States now buys in South and Central America.

3,100 Islands in Group. There are something more than 3,100 islands and islets in the archipelago, of which only 1,668 are large enough to have a name. They extend from the Batan Islands, 100 miles south of Formosa, some 1,150 miles to the Sulus, north of Borneo. The largest are Luzon, which is about the size of Ohio; Mindanao, approximately as large as Indiana; Samar, Panay, Negros and Cebu. The total area is about 120,000 square miles.

Manila Trade Center. Manila, with a population of some 275,000, is at once the capital, the principal port and the main gateway for trade of the islands. It is more than that. The shifting of trade routes during the war made it a center, within a radius of 2,000 miles, for potential customers of American manufacturers estimated at 800 millions. The city is two days

from Hong Kong, four from Nagasaki, five from Shanghai and seventeen to twenty-eight from San Francisco or Seattle, depending upon the speed of the ship. Hong Kong maintains fairly good steamship connection with Manila, both through the large steamship companies and smaller companies that operate weekly services between these two ports alone.

Many Ports in Group. Other centers in Luzon which possess commercial importance are Dagupan, Lingayen, San Fernando and Laoag, on the west coast. Aparri is on the north end of the island at the mouth of the Cagayan River. Baguio is the capital of the mountain province and has been the government's summer capital. South of Manila on Luzon are Batangas and Nueva Caceres. In the southern portion of the islands are Cebu, on the island of Cebu; Iloilo, a point of considerable importance in Panay, and Bacolod and Dumaguete, both on the island of Negros. Catbalogan is in Samar, and Zamboanga in the island of Mindanao.

Winter Best Season. On the whole, the most delightful season is from November to February. Then the nights are comparatively cool and the heat of the day less intense. The hottest months are from March to June, and the rainy months from July to October. The annual rainfall at Manila is 76 inches. Even during the hot months, the heat is seldom more extreme than is experienced at times in New York. The thermometer in July and August is rarely below 79 degrees or above 85 in the capital.

Plagues Banished. The Philippines formerly fell little short of being the world's plague spot. Improvements in sanitary conditions—the work of the Philippine government under American direction—have been so effective that diseases almost completely have been eradicated. The climate and present hygienic conditions offer no dangers to persons who follow common sense principles of health. The death rate among whites in Manila in 1917 was 8.8 per thousand, as compared with 16.5 in New York, 15 in San Francisco and 14 in Chicago. The American population in Manila now is a little more than 3,000. The water supply has been purified and native inhabitants have been instructed by rule, reason and example in proper ways of living. With increase in health, better food and tangible inducement for effort, has come an

increasing adaptability for sustained labor. The total result of America's intervention in this respect is an achievement perhaps unparalleled in the history of the white man's work in the tropics.

Excellent Highways. Another achievement of American occupancy has been the construction of a network of excellent roads radiating from Manila as a center. The total improved highways approach 10,000 miles, of which some 4,000 are admirable for automobiles. There are 138 miles of modern roads in Manila alone. The Filipino peasants do not yet like to be hustled and prefer the old-fashioned carreton, or bull cart.

System of Railroads. There are nearly 1,000 miles of railroads, of which 766 miles are operated by the government. The investment is about $41 per capita as compared with $215 per capita in the United States. Luzon has the most complete railway equipment in the group, though there also are lines on Cebu and Panay. Excellent water transportation and good highways have tended to keep railroad mileage down and the numerous valleys and mountains have increased the cost of construction and maintenance. New lines are being constructed, and it is planned in the near future to connect Manila with Aparri, on the northern end of Luzon, thereby opening to trade the Cagayan Valley, the richest tobacco producing region in the Philippines.

Wire Communication. There are 11,000 miles of land telegraph and 2,000 miles of island cable in operation. The telephone system comprises more than 1,200 miles of wire. Twenty additional wireless stations are planned for the archipelago in the early future. Of the 600 postoffices, half are telegraph, cable or wireless stations, and a postal money-order office is in every city and town of importance. Inter-island steamship facilities always will remain indispensable in communication. The chartering and lighting of the Philippine coast, an American accomplishment, is so efficient that navigation is as safe as almost anywhere in the world.

Language is English. English is the official language, taught regularly in the schools. It is the only one necessary for commercial purposes. A knowledge of Spanish is important only as a means of maintaining social relations, and its

importance even for this purpose rapidly is lessening. The tribal languages of the Philippines are numerous.

Wealth in Hemp. Agriculture is the principal source of wealth. Land devoted to cocoanut plantations comprise some 750,000 acres; rice, 3,420,000 acres; rubber, 2,000 acres; sugar cane, 440,000 acres; tobacco, 145,000 acres; cacao, 26,000 acres, and coffee, 2,000 acres. The leading products exported are hemp, or abaca, cocoanut oil, sugar, tobacco, cigars and lumber. Hemp is the best paying commodity. In the last year, hemp exports were valued at nearly $42,000,000 or about 35% of the total. Exports to the United States were nearly 400,000 bales.

Cocoanut Oil, Sugar. The islands lead all countries in cocoanut production. There are probably 70,000,000 trees on the plantations, of which 40,000,000 are bearing. Cocoanut oil exports have passed $35,500,000 annually. Copra formerly was one of the chief exports, and in the fiscal year 1917, more than $8,000,000 worth was sent to this country alone. Since then, there has been a heavy falling off in production. Sugar culture and manufacture now contribute $17,000,000 to the foreign trade. Purchases of Philippine sugar by the United States in 1919 totalled nearly $8,000,000. There are about twenty modern sugar mills in the islands.

Banks Aid Farming. Rice is an important product, but the yield does not meet home demands; in 1919, rice importations into the islands were valued at $8,500,000. Most of the rice is grown in Luzon. Milling and distribution are largely in the hands of the Chinese, though the financing is chiefly British. Corn thrives and can be produced at low cost; but before the Americans arrived, the Filipinos had no intelligent conception of its food uses. The Philippine Department of Agriculture and Natural Resources is conducting a campaign to increase production, especially of rice, and thus cut down the importation of foodstuffs. A program has been adopted to put 7,500,000 acres of land under irrigation in the next ten years; 62,500 acres now are irrigated. The Agricultural Bank and the Philippine National Bank are aiding farming development by advancing loans to the farmers, and the formation of co-operative farming societies, which also advance money to the farmers, has done much to im-

prove the condition of the people and make them independent of usurers. One American importing concern has begun sales of farm machinery to these associations on credit.

Lumber Undeveloped. The trees of the Philippines are rich in fine varieties of lumber. Of a forest area of more than 38 million acres, 25 million are nearly virgin. In them are hardwoods of enormous value, suitable for the finest cabinet work, for veneering and for artistic purposes. It has been estimated that the stand of merchantable timber is 200 billion board feet. Notwithstanding this, the islands, because of practical difficulties in using the timber commercially, import more lumber than they export. Lack of navigable streams hampers its transportation from the forest to the market.

Backward Industries. The deep sea fishing possibilities, again, are great, but the fishing industry never has been organized. At least 1,600 kinds of fish are known to exist in the surrounding waters, nearly all of which can be used as food. Among them are the sardine, herring, anchovy, bonito, mackerel, lobster and tuna. Exports to the United States of mother-of-pearl, tortoise shell and other similar shells have a value of nearly $300,000 a year.

Mines and Factories. Mining likewise is undeveloped. Gold is found in numerous parts of the islands, but although gold mining in the islands is ancient, only two or three fields have been worked profitably. The total gold production in 1917 was $1,420,440. Other mineral products include silver, quartz, coal and lignite. Discovery of rich deposits of iron and copper in Mindanao recently was reported.

Manufactories are limited more or less to sugar refining mills, tobacco and paper factories, cement mills and cocoanut oil mills. The Philippine Legislature has authorized the formation of the National Development Company, with $25,000,000 capital, to promote industrial activities.

Field for Our Goods. The Filipinos are well disposed toward American goods, but American manufacturers and exporters should study the field and the needs of the people carefully. The heaviest demand for the goods of other

countries has been in the various products of cotton manufacture and iron and steel goods. The imports of various kinds of American cotton goods in 1919 exceeded $10,000,000. Machinery imported from the United States pays no duty and in this class of products Americans furnish nearly 90% of the entire supply.

Imports from U. S. Coal imports are more than $3,000,000 a year, and because of rising prices development of hydro-electric power has been proposed in certain sections. Of the nearly $10,000,000 worth of illuminating oil imported annually, the United States supplies approximately 20%. The islands bought 2,381 American motor cars in 1919, which with accessories and parts, had a value of $2,630,000. Other import items from the United States included: automobile tires, $1,342,000; sewing machines, $950,000; steel and iron manufactures, $4,065,000; boots and shoes, $1,800,000; condensed milk, $1,900,000 and gasoline, $1,725,000. Next to the United States, China, Japan and Great Britain rank high in sharing the commerce.

Natives Taking Hold. An interesting development in the last few years has been the increase in the number of firms purely Filipino, or a combination of Filipino and American capital. In 1919, 272 domestic corporations were organized with authorized capital of $21,863,350. Fifty-nine of these were formed to develop natural resources, 90 were commercial companies and 46 were manufacturing concerns. In the future, these firms undoubtedly will offer a good field for American exporters. At present, the export and import business is largely in the hands of British and American firms. These concerns sell to Chinese dealers who are depended upon to supply small establishments and stores. Virtually the only offices are in export cities such as Manila, Cebu and Iloilo. The Chinese, who constitute two-thirds of the 75,000 foreign population, control about 75% of the retail trade.

No Dearth of Banks. There are a number of large banks, including the Hong Kong and Shanghai Banking Corporation, the Chartered Bank of India, Australia and China, the Bank of the Philippine Islands, the Yokohama Specie Bank, Ltd., the International Banking Corporation, American Foreign Banking Corporation, Asia Banking Corporation and the Philippine National Bank. The last named is in Manila and has branch

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banks in New York City and Shanghai; also in Iloilo, Cebu, Zamboanga, Davao, Bacolod, Cabanatuan and Aparri, and in many of the island provinces. The Bank of the Philippine Islands, which is a domestic institution, has authority to issue and circulate notes.

Credit Conditions. If proper care is taken, collections need offer no special difficulties. In Manila, credit information passes from one merchant to another. Those who do not pay are quickly listed. Credits from the provinces are more of a gamble. Formerly Filipino credit was as free as water in small things. The only requirement in obtaining it was the ability of the purchaser to write his name to a "chit." As a result, when the importer and the wholesaler tried to get money from their customers (the retailers) they frequently discovered that their chief assets were limitless bundles of "chits." This "chit" system has been the cause of much bitter experience to Americans, but they have profited by mistakes. Retailers, in buying from the wholesalers, have followed the European idea (English, German and Spanish) almost entirely. In larger things, business methods have taken on the characteristics of these influences, with something added from the Chinese. Of late, they have been Americanized to a considerable extent.

Currency is Stable. The currency has been on a gold basis since 1909, when introduction of the Conant system made the United States dollar equivalent to two Philippine dollars. Formerly a Mexican dollar was the current coin. A Filipino coin, the peso (50 cents United States), was guaranteed by gold in June, 1904. Subsidiary coins are the silver peso, the 50, 20 and 10 centavos pieces, the 5 centavos piece (nickel), and the one centavo piece (bronze). United States currency circulates at the fixed rate of $1 for two Filipino pesos.

Advertising Will Pay. Eighteen newspapers and periodicals are published in English, twenty in Spanish and eight in English and Spanish. The large dailies offer usual opportunities as advertising mediums. The advertising appeal is much the same as in the United States, but advertising matter should be prepared with a careful eye to the customs and habits of native purchasers. Some American concerns have their ad-

vertising prepared in native languages by writers in Manila. Illustrated advertising posters may be used to advantage.

Register Trade-Marks. The laws give ample protection to registered trade-marks. It is important to guard against imitations calculated to deceive buyers. Altogether, 340 trade marks were registered in 1919, of which 172 were from the United States and 146 from the islands.

Documents Needed. Certain articles, as follows, are subject to payment of duties or internal revenue tax upon arrival in the Philippines: goods which are not the growth, product or manufacture of the United States, rice, cigars, cigarettes, tobacco, snuff and matches; also articles upon which drawback of customs duties has been claimed or allowed. (For special regulations regarding drawbacks, documents needed for exemption claims and special forms of invoices, see pages 121 and 122.) If, through accident or necessity, goods become unpacked en route, they will be admitted free of duty, provided satisfactory proof is offered that they are the identical merchandise originally shipped.

Trade Information. The Philippine Government endeavors to place general information regarding trade opportunities and development in the hands of any who may be interested. The island Bureau of Commerce and Industry, which has agencies in San Francisco and New York, answers inquiries on commercial or industrial subjects. The following departments also may be consulted: The Executive Bureau, Bureau of Science, Bureau of Agriculture, Bureau of Forestry, Bureau of Internal Revenue, Bureau of Lands and the Philippine Sugar Central Board. Other sources are the Philippine National Bank, the Manila Merchants Association and the Philippine Commercial Agent, who may be addressed at the Bureau of Foreign and Domestic Commerce at Washington.

Siberia's Trade Future Assured

COMMERCIALLY, SIBERIA must be viewed not only as the Siberia of the present, but also as the Siberia that is to be. As a country with which to trade today, it seems nigh impossible; in promise, few lands offer more. With industry virtually suspended except in those lines absolutely essential to existence; with transportation at a standstill; without standing abroad and torn by turmoil and strife within, the country is like a manacled giant sprawled across Asia, helpless until deliverance comes. When that time arrives, it has areas of fertile land which can be made to support hundreds of millions, vast stretches of rolling plains on which can be bred thousands of food animals, mineral resources of a value almost beyond count, and forests possibly as rich as any in the world.

Trade Revival Begun. While the political struggle which has rent Russia still dominates the economic and national life of Siberia, there are signs that the renewal of business activity already is under way. Last year, the United States had a trade with Russia in Asia of nearly $61,400,000, an increase of approximately 400% over the $12,408,000 of 1918. Of this amount, $6,710,000 was in imports, a substantial growth over the $4,000,000 in 1918, and $2,164,000 in 1917. Exports from the United States were $54,670,000 as compared with $8,433,000 in the zero year of 1918, and $110,000,000 in 1917. What part of this commerce was with Siberia and what part with Russian Trans-Caucasia does not appear as yet in the official figures.

On a Barter Basis. For the present, consistent trade with Siberia on anything approaching a large scale is exceedingly difficult for Americans. Ninety per cent. of the goods which reach the interior go by parcel post, the prices rising as the distance increases from Vladivostok, and most of the exportable goods have been unable to get outside the borders of the country. Siberian currency is valueless. The situation is presented of a country of nearly 5,000,000 square miles, with a population of perhaps 15,000,000, dependent almost entirely in its

commercial relations with other nations upon the system of barter and exchange.

America's Opportunity. Such trade as exists is controlled largely by the Japanese. Statistics of a few months ago showed that at that time 44% of the imports at Vladivostok were from Japan. Yet a vast field awaits the United States. When peace returns, foreign capital will be needed to develop mines, manufactures, forests and water power.

An Unknown Land. For most foreign business men, Siberia is more or less an unknown land. When the country was under the régime of the Czar, they did not give it their attention because of the strict regulations imposed on foreign trade; more recently, there has been the political unrest. The conditions of yesterday have gone, and those of today are temporary. It behooves the American business man now to prepare for the Siberia of tomorrow, if he is to have any share in its development. Other nations are making ready, notably Japan.

What Siberia Needs. Geographically, Americans are favorably situated to exert a wide influence in the future trade of Siberia. Since the Russian Revolution, the trade of the country has turned eastward, and Japan, China and the United States have been placed in the most favorable positions among the producing nations to satisfy its wants.

Present calls are greatest for farming implements, binder twine, machinery, nails, railway equipment, groceries, food products, lubricating and technical oils, chemicals and drugs, clothing, shoes and leather, household utensils, metal goods, paper and paper products. All these the United States is admirably equipped to furnish on a large scale. In return, Siberia is prepared to supply in quantity hides and skins, furs, wool, camel's hair, butter and cheese, asbestos, wheat, oats, barley, flax, bacon, lumber, minerals and fish products.

Get a Foothold Now. A foothold in Siberia's trade now means much for the future. The Siberians want to deal with America. To assist development of reciprocal commercial relations, the U. S. Russian Bureau has been formed, with an office in Vladivostok. Still larger in scope, the Union of Co-

operative Societies, embracing the greater part of the population of Siberia, has opened an office in New York, and has begun the conduct of trade on behalf of its great membership.

Land of Vast Wealth. Siberia extends from the Ural Mountains 6,000 miles eastward to the Pacific, and from China north to the frozen lowlands of the Arctic. In many respects it is like Canada or our own Northwest. Huge tracts of land are still unexplored. In the north, the natives use the reindeer; in the south, the camel is the beast of burden. The country is divided naturally and economically into three main parts. Western Siberia is the most populous, and, before the war, was the most extensively developed. It has great belts of forest lands, a broad stretch of arable black earth and the grazing plains of the Steppes. Central Siberia extends from the Yenisei to the region of Lake Baikal, and includes the Provinces of Yeniseisk and Irkutsk. Much of this section is agricultural and forest land. From Lake Baikal to the Pacific is the Russian Far East, largely undeveloped but tremendously rich in resources, which at present holds the greatest interest for the United States. Here are great forest and mineral wealth and agricultural possibilities.

Riches in the Soil. The peasant's wealth is in his farm. There is said to be in the neighborhood of 500,000 square miles of arable land in Siberia, stretching on either side of the Trans-Siberian Railway. Properly settled and developed, it has been estimated this country could support many millions of people. Before the war, there were 35,000,000 acres under cultivation. The 1914 crop of cereals aggregated 9,360,000,000 pounds, of which 3,600,000,000 pounds were exported.

Need Farming Tools. Farming is still poorly developed, but the people have reached the stage where they realize the need of improved agricultural methods. The short summers make rapid cultivation and harvesting imperative, and from this has grown a demand for farming machinery such as America can supply—a demand which, before the war, necessitated the maintenance of more than 600 warehouses and foreign branches in Siberia, doing an annual business of $5,500,000. Imports from America in mowers and reapers last year totalled $524,854, and in binder twine $354,002.

Big Scale Dairying. Tens of thousands of cattle, horses and sheep are raised by the nomad Kirghiz of the steppes. Dairying was extensively developed before the war, largely by Danish and German enterprise. There were more than 600 creameries in Western Siberia, and exports of butter to Europe exceeded 70,000 tons a year.

Rich in Minerals. Mining is highly important, and with the return of normal conditions and the introduction of modern methods, is bound to be wonderfully developed. This is a field in which foreign capital and foreign machinery will be needed on a large scale. Gold is found in many parts of the country from the Urals to Bering Strait. The gold production of Siberia since 1850 has exceeded $1,500,000,000. Before the war, the annual output was about $25,000,000.

Silver and Coal. There are more than 3,000 known silver deposits in the Altai district, not more than thirty of which are worked. Silver also is found in the eastern provinces. Coal is in quantity and widely scattered. The Kuznetsk field in the upper valley of the Tom is 280 by 120 miles in extent, and coal has been found there of great thickness. The bulk of the world's platinum comes from Siberia, chiefly from the western part, and deposits have been discovered of copper, wolfram, lead, antimony, asbestos and precious stones.

Vast Timber Tracts. A great part of Siberia's wealth is in its forests. It is estimated there are more than 800,000,000 acres of timber land, two-thirds of it accessible for commercial purposes. Sawmill machinery will be needed as these reserves are developed.

Industry in Infancy. In modern manufactures, Siberia has made the smallest of beginnings. There are flour mills at Blagoviestchensk and Vladivostok, and some lumber mills and bean crushing plants. One result of the war was the emigration of several million Russians to Siberia, many of them of the artisan class. These have added to the population an element which formerly was lacking, and which gives promise of a more varied production in the future. The fur trade is valuable, almost every description of fur being available. The most im-

portant are the white hare, squirrel, the white, red, blue and silver foxes, marder, hermeline and sable.

Fishing, another important industry, is conducted in the Amur and off the coasts of Sakhalin and Kamtchatka. The fishing fields are let by the government on concession to the highest bidders, and the Japanese have captured a large part of the trade. The yearly catch has exceeded 136,250,000 salmon and herring, and more than 30,000 hands are employed in the fishing fleets and in canning factories ashore.

Railways are Needed. Transportation is the key which will liberate this vast mineral and agricultural wealth. As the building of the 6,000 mile Trans-Siberian Railway from Petrograd to Vladivostok doubled the population of Siberia in fifteen years, so further railroad construction may be expected to bring out the larger measure of the country's possibilities. There are great territories with almost limitless possibilities in their soil, in which the ground has not been scratched except to supply local needs. The railway system inside Siberia comprises some 6,700 miles. It consists of a great trunk line stretching entirely across the country from west to east, with few branch lines. East of Lake Baikal, the line divides, one branch cutting directly across Manchuria, via Harbin, to Vladivostok, while the other continues to Vladivostok, entirely inside Siberian territory.

American Managers. Under American management in the last few years, the rail system has been made much more useful, though it still is run down in rolling stock and equipment. In the last three years, the United States has shipped to Siberia locomotives to the value of $9,806,000 and steel rails worth $3,024,600. Last year, Siberia imported from this country $1,333,000 worth of freight cars.

Rivers are Arteries. The Siberians are fortunate in possessing rivers large enough to handle a great water-borne traffic, which cross the railway system, thus acting as feeders to the main trade artery. All told, there are some 27,000 miles of navigable inland water. In the west are the Obi and the Yenisei, and in the east the Lena and the Amur, each with numerous tributaries. The Obi and its affluents have 9,000 miles of navigation, and ocean steamships might ascend the Yenisei 1,000 miles

if it were accessible. The Lena, navigable for river steamers for 1,750 miles, is the only stream of these four which does not cross the Trans-Siberian Railway. A well-paved wagon road connects Irkutsk, on the railroad, with Katchug, 156 miles north, the nearest navigation point on the river. The Amur River basin has 8,940 miles of navigation. It supports a fleet of 200 steamboats and twenty-five barges with a tonnage of 31,000. The chief drawback of the inland water transportation is that from 160 to 200 days of the year the rivers are frozen. There is an all-water route from Europe to Western Siberia via the Kara Sea and the Obi River, but this is open only a few weeks of the year.

Fix Trading Points. Under such conditions, the chief trading points are those at the junction of river and rail routes. All along the Trans-Siberian system where navigable waters cross the steel line are distributing centers—Tomsk, Omsk, Irkutsk, Tchita, Blagoviestchensk, to mention a few. Some are of considerable size, and nearly all have grown from immigration in the last five years. Omsk, Tomsk, Vladivostok and Irkutsk have populations ranging from 100,000 to 300,000.

Places for Agencies. Vladivostok is Siberia's gateway to the Pacific, the only seaport of size. For most foreign businesses, it is considered the best base of operations for agents. Some American exporters have worked through Harbin, Manchuria, as a base. Blagoviestchensk, on the Amur, is the center of the most important agricultural district in East Siberia. Habarovsk, at the juncture of the Amur and the Ussuri, is the chief administrative center and point of supply for the Ussuri Valley. Nikolaevsk is important as a lumber and fishing center, and is headquarters for the salmon canning industry. Tchita is rapidly growing in commercial influence for a large part of the Trans-Baikal region, and Krasnoyarsk is the commercial center of Central Siberia. Omsk, at the juncture of the Irtish with the railway, is a center for purchases of raw materials. It has large warehouses. Irkutsk, on Lake Baikal, is an important administrative and railway city.

Co-operatives Help. A direct result of the troubled internal situation has been a remarkable development of the co-operative societies, now almost the only bridge between

the peasant in shut-off Siberia and the outside world. These organizations were formed before the war to promote collective buying and selling by a widely scattered population. They include credit associations and producers and consumers in every class of Siberian economic life. Their member is the individual peasant, and they buy and sell for him without profit to themselves. There are now more than 12,000 of these societies in Siberia, united in one great body with headquarters in Novonikolaevsk. This organization is expected to play an important part in the restoration of economic order.

Societies Barter. What the cooperative societies offer now is simply barter on a large scale. They advance credit to the peasants, collect their produce and supply their needs at the least possible price. They are ably conducted and own stores, warehouses, factories, flour and lumber mills, mines and creameries. The Siberian peasant adapts himself easily to cooperative effort, and the societies have done much to improve his condition of living and to save him from even greater distress than has befallen him. The societies offer a solution to the troublesome credit question. Financially strong, they do not need long-term credits, and for such credit as they ask, they are in position to give security. Thus far, their influence in trade has made itself felt chiefly in the purchase of necessaries for the peasant.

Essential to Success. Commercial success for Americans in Siberia will be dependent largely upon the representatives sent there. These men must know the Russian language well and must learn local needs and conditions. They must know the wants of the Siberian and must sell goods of the quality and pattern to which he is accustomed. Although the Siberian wants a low price, he insists that the quality be not slighted. Japanese goods have fallen more or less into disfavor as the result of extensive importation of cheap articles which were found unsatisfactory. There is a good field for private firms in normal times, among the people in the towns.

Use Russian Tongue. Connections cannot be established through correspondence. The import trade is largely in the hands of Russians. There is no real Siberian language. In letters, the Russian tongue should be used; references

to weights and measures should be in terms of Russian standards, and prices should be given in Russian currency when exchange conditions again permit.

Money is Worthless. Various kinds of money, none of great value, are in use. The old Romanoff ruble and Kerensky money both circulate. The Siberian government, though unstable, unrecognized and without financial credit, prints its own money. So many counterfeits are in circulation that business men refuse to handle this currency. Stores, restaurants and other business concerns have been permitted to print their own paper money, and have been doing it. It is explicitly understood that these are "cash" notes, redeemable in government currency upon demand, but no one redeems them.

Banking Facilities. Among the leading banks with branches in Siberia are the Banque de Commerce de Siberie, the Bank of Chosen, Banque de l'Etat, the Matsuda Bank, the Royal Bank of Canada, the Asia Banking Corporation and the Banque Russo-Asiatique.

Seasons for Travel. There are two seasons when travel is impossible, the seasons of the spring thaw and early winter. In July, the heat and dust are uncomfortable, but there is something bracing and invigorating in the air which makes it far from unendurable. The winters are severe, but the cold is dry. In Central Siberia, the climate is less extreme than the climate of the American continent in the same latitude.

Long Trade Route. From New York to Vladivostok via Suez takes about eighty days. An easy way of approach for Americans is across the Pacific to Japan and thence by way of the Chosen peninsula.

Documentation. There are no consular regulations for making shipments to Siberia. In shipping to direct ports, the bill of lading must be in only one handwriting, and no corrections or erasures must appear in figures or in writing. Conditions in Siberia are so uncertain that only the most recent advices regarding various regulations should be accepted. The American consular office is at Vladivostok.

China's Four-Hundred-Million Market

CHINA IS potentially the greatest market in the world. For the next fifty years, this country, with its more than 400,000,000 population, should offer an almost limitless field for sales of foreign goods, while her vast undeveloped resources and the industry of her people should make her one of the great producing nations. Her awakening was accelerated by the war and she is now in transition from the pastoral to the industrial stage. The Chinese are beginning to demand the comforts, luxuries and novelties of modern civilization, as well as their necessities. Within half a century, they may reach a state of manufacturing independence; until then they stand ready to buy whatever they cannot produce or manufacture as cheaply as they can buy.

New Spirit in Land. Evidence that the New China is arriving is contained in every trade report, and each returning traveler brings news of rapid progress. Thousands of Chinese are receiving instruction in English. Chinese youth educated in America and Europe are returning with new ideas which they are applying, so far as they may, to conditions at home. The old-time official in Hong Kong still is carried in his chair by coolies, but his son rides in an automobile and wears clothes made in the United States or Europe. His daughters wear western-made shoes, read magazines, go to the movies, and, on the phonograph, hear the songs that are sung in Paris and on Broadway. All over China there is a demand for electric light, and hundreds of towns will have it within the next few years. There are now 170 electrical installations in the country, 50 of them under foreign management. There is hardly a town that has not imported kerosene. Even patent medicines have found their way into the interior. A great railway extension is impending, and the beginnings of modern industrial activity have been made.

Nation is Moving. In the last twenty years, China has developed a constitutional government and a national spirit. She has driven out opium. She has adopted an educational system based on American models. She has developed a native

press that is well on its way to a position of widespread influence. Here is a nation with a foreign trade that exceeds $1,200,000,000 a year. Her national debt is only about $1,000,000,000. She is the second best buyer of American goods in Asia. Yet, the trade of the United States with her is only 82% of that between the United States and the 8,500,000 people of Argentina. China's foreign trade is equivalent to $3 per capita, though it has increased tenfold in thirty years. The foreign trade of the United States is $110 per capita; that of Australia, $160. China has deposits of coal, according to some estimates, large enough to supply the world for centuries; yet she imports coal from Japan. With a territory one-third larger than the United States, she has only about 10,000 miles of railroads; the United States has above 265,000 miles. In interior cities, caravans still assemble to carry commerce across the great deserts.

Could Feed a Billion. It is estimated that the plains of Manchuria and Mongolia alone, when properly developed, could raise food enough to supply 300,000,000 people, and the entire country sufficient to feed a billion, and still have some left over for export. In all China there are not more than 10,000 motor cars, nor more than 1,000 miles of good roads. The country has 11,000 miles of telegraph and less than 25,000 telephones. Only 100,000 of her population are employed in modern factories; in the United States 8 millions are thus engaged. There are forty cotton mills in China, with room for hundreds; a hundred flour mills, with room for thousands. Four million children are in the Chinese public schools; in the United States, the school population exceeds 20 millions.

A New Era Opening. The country is at the beginning of an industrial development of vast possibilities. In the next few years she must have roads, railways, waterways, telegraphs and posts. Her coal and iron must be brought out of the ground and methods of transportation devised that they may be utilized. She wants machinery, bridges, railroad materials, factory and mining equipment and public utilities, and to obtain these, needs outside financial aid. Her selling power must be developed before she can buy. Once this has been accomplished, her great population offers possibly the largest return of any investment in the world.

Return to
BUREAU OF INTERNATIONAL RELATIO

America's Chance. Walled off by deserts and great mountain chains to the westward, China's only easy access to the rest of the world is by the sea. Nearest to her among the leading nations, with the single exception of Japan, is the United States. The war, with its interruption of commerce, shut off her former sources of supply, the nations of Europe. Now China would cordially welcome a trade invasion by the United States, which she considers, not without reason, her best friend. Almost alone among the nations, America has an unquestionable political record in dealing with the Chinese. Never has it asked an exclusive right or concession on Chinese soil.

Money Worth More. A factor that is helping China's trade is the relatively high value of her silver money. The Chinese dollar now has a purchasing power 2½ times as great as it had four years ago. China borrowed when the Mexican dollar was worth 45 or 50 cents gold. As this is written, the same money is worth more than $1 gold. The effect of this in the country's commerce has been plainly shown. More than 2,000 commercial travelers from America visited China in 1919 and nearly all obtained encouraging orders.

Our Share in Trade. Between 1904 and 1918, China's imports from the United States increased in value 244%. In 1913, the share of the United States in China's foreign trade was 7.6%. In the fiscal year 1918, the last year of the war, China's imports were $661,876,000 and her exports $569,561,000, a total of $1,231,437,000. Of these, the United States furnished $52,570,000 of the imports, and took $110,970,000 of the exports, or more than 13% of the total trade. In the calendar year 1919, the United States exported to China goods worth $118,274,500 and imported from China articles valued at $170,177,250, a total trade of $288,451,750 as compared with $200,027,500 and $185,736,200 in the calendar years 1918 and 1917 respectively. Figures on the total trade of China for the calendar year 1919 have not yet been received in this country.

While the United States has trailed both Japan—which had a trade of $354,645,500 with China in 1919—and the British Empire in the volume of trade, it leads the field in a number of lines. In the sale of motor cars in 1918, America was first with 48% of the total. In cigarettes, the share of the United States was 47%; in

iron and mild steel manufactures, 46%; kerosene and lubricating oil, 36.5%; footwear, 66.5%, and railway materials, 49.5%.

What China Needs. It is difficult to enumerate the articles most in demand in China. The Chinese will buy tried and familiar goods of every kind if they are not too expensive. Imports of raw cotton from the United States in 1919 exceeded $1,750,000 in value, while the trade in cotton goods and yarns was $800,000 more. American locomotives to a value of $2,400,000 were bought, while imports of iron, steel, lead and tin manufactures were above $10,000,000. The importations of illuminating oil from the United States totalled $16,670,000, and of lubricating oils, $1,445,000. More than $10,000,000 worth of American cigarettes were bought, and $6,328,000 worth of leaf tobacco.

Our Best Opportunities. America's best opportunities would seem to be: 1. In staple manufactures, such as cotton goods. 2. In a few raw materials and partly manufactured goods in which our abundance in resources gives us a good share, such as mineral oil products. 3. In a few important lines, notably machinery, in which we now have a fair share and larger opportunity. 4. In a great variety of specialties for which the market is limited. In the last named class, there is an opening for such articles as needles, thread, embroidery, cheap lamps, lanterns, etc. China also needs sheeting, towels, underwear, socks, handkerchiefs, wool blankets, stockings, gloves and skirts.

Traits of Chinese. The Chinese are peace-loving and industrious. They remember a kindness and retain a strong sense of obligation to their benefactors. They are never brusque and, with an extreme reverence for the past, are unusually deliberate in undertaking a new venture. With the traditions of centuries behind them, they prefer the old and the familiar, though they will accept the new when convinced it is to their advantage.

The Chinese merchant is willing to sell to supply a demand, but he will not help create that demand. American manufacturers must introduce their own wares, and in so doing must cater to the Chinese taste. They must be prepared to give the Chinaman what he wants, not because it is the best, but because he wants it. Someone has said adaptation is the soul of foreign trade; nowhere is this truer than in China.

Natural Traders. The Chinaman is a born merchant and shrewd trader. He is cautious, even suspicious, in everything he undertakes, because it is considered a disgrace to fail in business. Despite this, the foreigner often will be surprised to find business undertakings of great magnitude carried out in the midst of unpretentious surroundings.

Honesty in Business. Once a year—at the Chinese New Year—the Chinese settle their accounts. They consider it bad luck as well as bad business to carry over accounts from one year to another. Inability to meet obligations at that time results in loss of credit for a year. It is considered so serious an offense that it often has been made an occasion for suicide. Familiarity with this custom of regularity in checking up their debits and credits is of great importance to the American business man, and especially so in a country where it is extremely difficult to obtain general information regarding credit conditions.

Contracts Are Sacred. In the main, there exists a high standard of commercial morality. The Chinese dealer is rigid in keeping a bargain. He fulfills his contract even when he is the loser thereby. Whether this honesty is built on a basis of ethics or business experience and necessity is beyond the realm of the present discussion. The Chinese usually are honest when placed in a position that involves responsibility. They are patient; they want improvements; but they do not care to be exploited to the advantage of other people.

The difficulty of understanding is mutual. We must not be impatient with the Chinese if they fail to appreciate our merits and institutions; we probably show a similar lack of appreciation of theirs. At all times we must be prepared to study conditions, since careful study and proper understanding of all elements in foreign trade transactions are requisites for success.

The Masses Awakening. The great mass of the Chinese population formerly used only the things they needed to exist. With improvement of social and political conditions, the demand has increased for foreign products. For the commercial development of the country, the people must be educated. Trade should penetrate into the interior; it should not be confined to the treaty ports.

The Republic of China has an area of 4,376,400 square miles. It stretches westward nearly 3,000 miles from the Pacific, and from Siberia 2,000 miles south to the Himalayas, India and Siam. It includes the "eighteen provinces" of China proper, the three "eastern provinces" of Manchuria, the desert waste and plains of Mongolia, including Chinese Turkestan, and the country of Tibet, on the "roof of the world." More than sixty peoples and tribes populate this great territory, but China proper, comprising one-third of the area, contains more than nine-tenths of them all.

Three Trade Regions. For commercial purposes, the country may be considered as divided into three parts, the southern, central and northern. The southern provinces comprise Kwantung, Kwangsi, Fukien, Yunnan and Kweichow. They are served chiefly through Hong Kong. Foochow, the capital of Fukien Province, is the center of the South China tea trade. The central district includes the provinces along the Yangtze Valley, inland to Szechuan and Tibet; this covers one of the richest spots in the world, which will yield abundant return when it is opened more extensively to commerce. Shanghai and Hankow, the latter 600 miles up the Yangtze, are the ports of outlet. The northern district includes Chihli, South Manchuria and Mongolia, which are served chiefly through Tientsin and Dairen.

Places for Agencies. European manufacturers and the majority of American houses which have entered the Chinese market have been accustomed to work with large importing firms stationed in the chief marts. Because of the vastness of the country, it ordinarily is not practicable to confine sales efforts to the two cities of Shanghai and Hong Kong, though these seem destined to remain the principal ports. Shanghai is the greatest hardware center in the country and the most important point for the export of raw material. Its gross trade is $750,000,000 a year. It has flour mills, gas and electric works, canning factories, cotton seed plants, printing and railway shops, chemical works, shipbuilding plants and other industries. Of the 6,500 Americans in China, 2,000 are in this city.

Hankow Inland Port. Hankow, though so far inland, ranks third in importance in foreign trade; it is the shipping point for a great quantity of raw materials from the

Yangtze Valley. The district around Canton has a purchasing power of $50,000,000 annually. The city now imports more than $22,000,000 worth of manufactured goods, and in 1919 exported to the United States articles worth $13,500,000. In the north, considerable business is transacted at Tientsin, which has excellent railway connections, though the port is icebound from December to March. Dairen has advanced in importance under Japanese direction until its commerce is $200,000,000 a year. Chefoo is an important distributing center on the Shantung Peninsula. Peking, with a million people, is the center of political and intellectual life. There are a number of other places, such as Swatow, Amoy and Chinkiang, in which local agencies often can be placed. Frequently, arrangements are made with a main house in Shanghai, and representatives in other places are directed from there.

Ports Open to Trade. Eighty ports in Chinese territory are open to foreign trade in addition to the ports of Hong Kong and Kowloon, which are British colonial possessions. There are forty-nine in China proper, twenty-six in Manchuria, three in Tibet and two in Mongolia. The list—aside from Hong Kong and Kowloon—grouped by provinces, follows:

Kiang-su
Shanghai
Woo-sung
Chin-Kiang
Nanking
Soo-chow
Chihli
Tientsin
Chin-wang-tau
Chih-feng
Dolon-or
Kwei-hua-cheng
Hu-lu-tao
Kalgan
Shan-tung
Che-foo
Kiao-chau (or Tsing-tau)
Chou-tsun
Weih-sien
Lung-kow
Tsi-nan-fu
Wei-hai-wei
An-hwei
Wu-hu

Kiang-si
Kiu-kiang
Hu-peh
Hankow
Sha-si
I-chang
Kwang-tung
Swatow
Canton
Lappa
Sam-shui
Kong-moon
Macao
Pak-hoi
Kiung-chow (or Hoi-how)
Kwang-chau-wan
Hu-nan
Yo-chow
Chang-sha
Che-kiang
Hang-chow
Ning-po
Wen-chow
Fukien
Foo-chow
Amoy
San-tu-ao
Szechuan
Chung-king
Wan-hsien
Kwangsi
Wu-chow
Nan-ning
Lung-chow
Yunnan
Meng-tze
Sze-mao
Teng-yu-eh
Sheng-king
Ying-kou (port of New-chwang)
Dairen
Antung
Ta-tung-kou
Mukden
Feng-huang-cheng
Liao-yang
Hsin-min-tun
Tieh-ling
Tung-kiang-tze
Fa-ku-men
Kirin
Kirin
Chang-chun
Harbin
Ninguta
Hun-chun
San-sing
Sui-fen-ho
Lung-ching-tsun
Chu-tzu-chien
Tou-tao-kou
Pai-tsao-kou
Hei-lung-kiang
Tsitsihar
Hailar
Aig-un
Man-chou-li
Mongolia
Tao-nan
Kashgar
Tibet
Yatung
Gartok
Gyangtze

Best Travel Seasons. The climate of China compares favorably with that of any country in the same latitude. There is as much difference between the climate of Shanghai and Peking as there is between that of New Orleans and New York. Hong Kong is in the same latitude as Havana. As a whole, the country has no special climatic dangers for foreigners and can be visited at any season. A good plan is for the traveler to arrange his departure so that he will arrive about October 1, although April, May and June are almost equally fine. Autumn is the best season for travel in North China, late autumn and early winter for Middle China, and late winter and early spring for South China.

Routes to the East. There are two main travel routes to China, that by way of the Suez Canal and that across the Pacific. North America is served by steamships running from both the Atlantic and the Pacific coasts, and by its own transcontinental routes. Japanese and American steamship companies have been active since the war in re-establishing trade connections with China. Before the war, several ship lines maintained regular service between Europe and Asia, their steamers calling as a rule at Hong Kong and Shanghai. The trip from London to Shanghai takes from thirty-eight to forty days. A through-ticket arrangement is maintained between the chief cities of Europe and China. There also are regular sailings between Kobe, Japan, and Tientsin, when Tientsin is free from ice. A better route from Japan is the ocean ferry service from Shimonoseki to Fusan, in Chosen, and thence to Tientsin by rail. Through bookings for passengers and baggage is general on all railway lines entering Peking, and a similar arrangement, good for thirty days, recently was arranged between Japan and the Shantung Railway.

China's Great Handicap. At one time, China's transportation facilities were the best in the world. Roads, some of them built more than a thousand years ago, radiate from Peking in all directions to the farthermost parts of the country. The canal as a factor in commerce also was developed earlier and more extensively than in any other country. The bulk of the nation's trade today is road-borne. Passengers travel in sedan chairs or on horseback. Goods are transported by wheelbarrow, pack animal and coolies. Today, as when Marco Polo traversed Asia 700 years ago, camel caravans bear the goods

Peking
HEADQUARTERS INTERNATIONAL RELIEF

of commerce across the deserts, over the wild wastes of West China and up the mountain passes to Tibet. Even in Peking camels are a common sight.

An Isolated Empire. This is China's great commercial weakness. Transportation along modern lines is the key to the country's development. Hundreds of thousands of square miles are undeveloped and unoccupied because of the lack of railways. In the fall of 1917, for instance, wheat was selling in the province of Szechuan at 10 cents a bushel, while the price at Shanghai was $2.50 and $3 a bushel. Throughout this whole province of more than 200,000 square miles, with a population as large as that of Japan, a soil as fertile as can be found anywhere and rich deposits of coal, iron, salt, gold, silver and antimony, there is not a foot of railway. The Yangtze river is the only highway of commerce to the outside world, and the cost of transportation is almost prohibitive. In 1916, China's importations of cereals were $48,000,000; the agricultural products of Szechuan in that year would have exceeded $1,100,000,000 if they could have been placed in the world markets. Conversely, a can of American kerosene which sells at $3.40 at Hankow, has increased in value by the time it has been carried to Chengtu, the capital of Szechuan, to $10.30. Two railroad routes to Chengtu have been surveyed by foreign engineers, and there seems a favorable prospect for construction over one of them.

Capital is Needed. There is an unusual opportunity for foreign capital in the building of new roads, and for manufacturers of railway equipment, once the roads have been built. There are 6,453 miles of government railways, in addition to 683 miles of provincial and private railways under government control and 3,865 miles of concession roads. Of the total, more than 900 miles are not yet in operation. Hypothetically a trunk system with laterals, the railways really seem to have been built piecemeal and haphazard. Eighteen deep water ports have rail connections with the interior, but few of the lines extend far from the coast. There is a shortage of all kinds of equipment.

Work now is progressing on the 300 mile gap in the line between Canton and Hankow. When this is completed, it will link up Peking in a continuous road to Hong Kong, thus forming a national north-and-south trunk system. The line from Peking northward

to Mukden gives China railroad communication with the outside world.

Rivers Aid Trade. The rivers and canals offer a fair means of internal waterway transportation. The Yangtze, for instance, is navigable for good sized ocean steamers for 600 miles, for vessels of fair size 400 miles more, and for boats of special construction still another 700 miles. This river makes Shanghai the clearing house of the trade of Central China, a region three times as large as Germany before the war, with a population of 200,000,000 or more.

While there are numerous highways in China, there are few roads in the modern acceptance of the term. Proper means of transportation are necessary to reach interior markets, to get the highest value for commodities and to develop sales. Merchandise is transported at an average cost of 10 cents per ton-mile, though instances are on record where it has cost as high as 25 cents gold per ton-mile. The cost in America is $.0069 per ton-mile.

Passports for Interior. No passports are needed in the treaty ports. For travel in the interior, passports are issued by consuls of the different nations and endorsed by Chinese local magistrates. The maximum term is thirteen months; the passport entitles the bearer to move about freely for pleasure or trade. Travel is in no way dangerous to personal safety. The former antipathy to the foreigner has disappeared. The Chinese are hospitable, peace-loving and gentle. The best weapons of the traveler today are a smile and a cheery disposition.

Buy Through Tickets. In September, 1918, the Through Railway Traffic Administration was organized to provide for through freight and passenger traffic, both domestic and international. An arrangement for through tickets from Japan and Chosen now is in effect, and it soon may be possible to buy passage from Chicago and New York to Peking.

Learning the Language. Mandarin Chinese (Chin Yin), either pure or corrupted by localisms, is the language of central and northern China. Cantonese still prevails in the south, but even there the use of Mandarin is spreading. Knowledge of the Chinese speech has become recognized as an

important factor in business, and acquaintance with even a few words serves to put the traveler on a more intimate footing with his prospective customer. The foreign representative on the ground should have a practical working acquaintance with the Mandarin dialect, at least to the point where he can carry on a simple trade conversation. Because of the great number of Chinese written characters or ideographs—49,400 in all, although a knowledge of 2,500 is sufficient to master the classics—the language is extremely difficult to learn. Nevertheless, many young American business men have acquired a good working vocabulary of the spoken tongue in two years by studying a few hours each day.

Schools for Americans. The North China Union Language School at Peking aims to turn out students in one year with sufficient knowledge of Chinese to serve the elementary purposes of trade. In addition, the students are instructed in the customs, geography and conditions of the country. The institution is controlled by the American and British legations, the British Chamber of Commerce, the American Association of North China and eight British and American missionary societies. It has 200 students, chiefly from American and British business concerns. Among them, also, are several United States consular officials. The British Chamber of Commerce has established a language school at Tientsin, emphasizing the study of conversational and written Chinese in general use. There is a good language school, mainly for missionaries, at Nanking. The school maintained by the British Chamber of Commerce at Shanghai has opened its doors to American students.

Untouched Resources. Development of China's resources is dependent on capital. Her trade should be ten times what it is, as a country which produces cheaply and sells to countries of high purchasing power. More than 90% of the population is agricultural. Vast areas of land are under cultivation, and all farming is intensive to such an extent that the Chinese farmer becomes virtually a gardener. He cultivates every inch of land and creates artificial fields wherever he can find place for a layer of soil. It is not uncommon to see in the rivers rafts covered with earth on which crops are growing. Nevertheless, large areas of arable land remain untouched and production is held back by primitive methods.

Wealth in Agriculture. The Chinaman looks upon agriculture as the very basis of his social system. Numerous agricultural schools and associations have been organized and experimental farms have been established in all the provinces. Rice, the food staple of millions, is the principal crop in South and Central China. In the north, millet largely takes its place. Wheat is a secondary crop, but growing in importance; its annual yield is 200,000,000 bushels. The cotton production is 2,500,000 bales. Nearly 87,500 tons are exported, chiefly to Japan. Forty-five hundred tons, valued at $2,225,000, were sent to the United States in 1919. The Chinese Cotton Mill Owners' Association is establishing experimental stations and importing American seed. The rearing of silkworms always has been encouraged, and exports in domestic and wild raw silk exceed 16,000,000 pounds. The United States, in 1919, bought from China raw silk to the extent of $54,500,000, or more than one-sixth of our total imports, in addition to woven silk fabrics worth $690,000. The annual soya bean production is 6,000,000 tons, and in 1919 China—including Japanese China—sent to this country shipments valued at more than $13,300,000.

Large Tea Trade. The United States imported in 1919 tea worth $3,000,000, and with the prohibition of alcoholic drinks an actuality, this trade should greatly increase. Other crops include sugar, sesame, wax, fibres, camphor, nuts, barley, indigo, maize and other cereals. Exportation of walnuts to the United States exceeds $1,200,000 a year. In 1919, China sent to this country hides and skins valued at nearly $17,000,000.

Fish furnish a staple food article. They are found in abundance off the coast and in all the streams. It is said that in Macao one may eat a different kind of fish every morning in the year.

Rich in Minerals. Some experts have estimated China's coal reserves as high as 1,000 billion tons, and her iron ore deposits at half a billion tons. While there has been a tendency in recent years to doubt the vastness of such estimates, there would seem to be no doubt that the Republic's mineral and metal supply is abundant. Coal is found in nearly every province, particularly in Manchuria, Shansi and Shensi. The Fushun field supply in Manchuria, for instance, is estimated at 800,000,000 long tons, while the supply in the Kaiping district, eighty miles

northeast of Tientsin, has been placed as high as a billion tons. The annual production of the country is 18,000,000 tons; the output is kept down by the lack of means of transport.

The production of iron, excluding that of the Japanese in Manchuria, is 300,000 tons, and of copper 2,000 tons a year. China is the largest producer of antimony and furnishes 5% of the world's production in tin. During the later years of the war the tin imports into the United States from China exceeded $2,000,000, but with the coming of peace the purchases dropped near to zero. Gold, silver, quicksilver, lead, zinc, nitre, alum, gypsum, jade and precious stones also are found. Oil exists, but in quantity not yet determined. The mining industry for the most part is in a rudimentary and experimental stage; in only a few provinces is there modern machinery.

Boom in Industries. The domestic industries have expanded greatly in the last few years. The war hastened the industrial awakening, and an attempt is being made to produce at home the things that China could not buy because of closed markets. The anti-Japanese boycott has given impetus to the movement by creating a demand for Chinese manufactures, especially in cotton goods and yarn. While China produces so large a crop of cotton, there are not more than 1,500,000 spindles in the entire country. Two score mills are in operation and many more soon will be added. Shanghai alone expects to have twenty new mills in the next few years.

In Manchuria, forty-two new industrial plants were incorporated and registered in 1918. Flour from local and Shanghai mills in that province have almost entirely taken the place formerly held by the mills of America. Manufactories along nearly every line have been established, including rice mills, brick and cement works, candle, soap, tea and tobacco factories, oil and paper mills, glass and porcelain works, cotton weaving and silk filatures, chemical manufactories, iron and steel works and sugar refineries. China exported to the United States, among other things, in 1919, carpets with a value of $9,500,000, wool clothing worth $3,190,000, and $3,650,000 in millinery materials, chiefly straw braid.

Centers of Trade. The number of places in which foreign houses operate is limited. Trading in the interior is carried on by Chinese firms which buy of the chief importing

houses in Shanghai, Hong Kong, Tientsin, Amoy, etc., through their compradors. American firms which desire to do business in China preferably should make connection with American houses in these centers. They are as thoroughly acquainted with local conditions, customs, requirements of the trade and other details as are European concerns. Moreover, some European houses have shown a tendency at times to favor manufacturers of their own nations. It is interesting to note that an increasing business is being done direct with Chinese firms, though such dealings should be avoided until the Chinese house has been carefully investigated. These firms distribute to bazaars and retail traders.

Trade on Cash Basis. Most of the trade of China is carried on through foreign commission houses. Trade possibly is more firmly established on a cash basis there than anywhere else in the world, due largely to the difficulties in communication and the consequent length of time required for correspondence with firms in other countries. When foreign goods are purchased, the Chinese buyer or importing house enters into an exchange contract with a bank in the importation port. This acts as agent for a bank in the country of origin of the goods sold.

Study at First Hand. To compete with other nations, American manufacturers will need to make a more intensive study of what China wants. If a particular brand is not exactly as represented, an entire city will boycott it in a short time. Goods should conform to sample. This can be accomplished only when specifications have been given carefully and as carefully transmitted to the factory at home.

Export and import houses, chiefly British, are known as hongs. While Chinese currency continues to fluctuate radically in value and is not placed on a stable basis, and until Americans are better acquainted with the field, these houses are virtually indispensable. One defect in the system is that Chinese and American merchants are not brought together, and the seller never learns to know the one person who best understands the needs of the country—the real purchaser of the goods.

Comprador a Pooh-bah. The native middleman in the commission houses is known as the comprador. He occupies a unique and powerful position in China's commercial

life. He has been called the point of contact, the bridge between the business ways of the East and the West. He speaks English (or pidgin English). He is interpreter, confidential agent, credit man, a Dun and Bradstreet in one. He has his own business organization, which often extends to other cities. He is bonded by the Chinese and employs a shroff, or cashier, who also is under bond. To the banks he extends his guarantee that bills are what they purport to be. He is engaged at a percentage with a guaranteed minimum, for which he responds to the importers. He guarantees the financial operations of the purchasers whom he represents, and occasionally his entire profit is swept away when they fail to make payment.

On the whole, he knows the merchants fairly well, and proceeds with caution, since it is a point of personal honor to succeed in a profession that has passed from generation to generation. The position of comprador has fallen into more or less ill repute, due to some who are unscrupulous and insist upon too much graft, or "squeeze," and who abuse their position by exploiting the native merchant. Compradors have been known to work together in places where foreign influence is strong, to bring about fluctuations of the market. They also have been known to divulge trade secrets and to create markets in their own interest. Instances have been cited of compradors who have had agents collect wool in the interior and store it in native godowns, or warehouses, until the price could be forced up, when they would sell it to the firms which paid them to look after their interests.

Bar to Close Relations. If the middleman could be eliminated, the Chinese business man gradually would become familiar with foreign business methods. The education of foreigners in the Chinese language is a step toward breaking the comprador's hold, and it appears that the day of complete dependence upon him is passing. The firm entering the China field finds the comprador indispensable at first, but it can plan its organization so that it eventually can eliminate him as a partner and change his status to that of an employe.

Guilds in all Trades. The Chinese trade guilds are strong and the development of commerce has increased their power and influence. Each trade has its own guild, which acts as a stabilizing factor, settles disputes, examines books,

promotes and encourages the interests of the trade in question, and has been known to fix prices. They are democratic institutions and decisions are reached by a majority vote. Every large merchant and comprador belongs to the guild interested in his line or lines of trade.

No Lack of Banks. China has four kinds of banking institutions—large foreign banks; national banks, established by the government; large native banks, dealing in loans and discounts, and the smaller native banks, of which there are some 4,000. Until a few years ago, there was no law requiring banks to be organized and incorporated, but with the establishment of the Republic modern banking methods were introduced. The leading Chinese banks are the Bank of China and the Bank of Communications, both of which have authority to issue notes. The Bank of Territorial Development, established in 1915, has fifty-six branches; its influence predominates in Manchuria.

List of Foreign Banks. Among the foreign banks operating in China are the following:

American—American Foreign Banking Corporation, American Oriental Banking Corporation, Asia Banking Corporation, American Express Company, China Trust Company, Commercial and Industrial Bank of China, International Banking Corporation, Park-Union Foreign Banking Corporation, Guaranty Trust Company, Raven Trust Company and the Philippine National Bank.

British—Hong Kong and Shanghai Banking Corporation, Mercantile Bank of India, Chartered Bank of India, Australia and China, and Lloyd's Bank. French—Banque d'Outre Mer, Banque de l'Indo-Chine, Banque Industrielle de Chine, Crédit Foncier d'Extreme Orient, Société Franco-Chinoise de Credit and Société Anonyme de Credit. Dutch—Nederlandische Handel-Maatschappij and Netherlands India Commercial Bank. Russian—Commercial Bank of Siberia and Russo-Asiatic Bank. Belgian—Banque Belge pour l'Etranger and Banque Sino-Belge.

German—Deutsch-Asiatische Bank. Japanese—Bank of Taiwan, Dairen Bank, Dairen Commercial Bank, Liaotung Bank, Lungko Bank, Mitsui Bank, Mitsubishi Bank, Seiryu Bank, Sumitomo Bank, Tiehling Bank, Yokohama Specie Bank, Ltd., Bank of Chosen, China and Southern Bank, Ltd., and the Antung

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Bank. Chinese-Japanese—Sino-Japanese Bank, Japan-China Bank and Chinghua Exchange Bank. Twelve Chinese banks have formed a Native Bankers' Association in Shanghai with progressive methods and American equipment.

An Unstable Currency. The Chinese currency situation always is confused, but prospective exporters need not concern themselves with it, since that is the problem of the dealer there; they can transact business in American money with the importers in the principal ports. A general knowledge of conditions, nevertheless, may prove helpful. The national coinage act, promulgated in 1914, fixed silver as the standard, with the unit of seventy-two candareens, and limited the right of minting and issuing national currency to the government. The reforms effected to date have been: unification of design of dollars, fixing of weight and fineness, maintenance of decimal progression, abolition of market quotations for standard coins, and melting and replacing old money with new dollars. There still is much paper in circulation issued by central or provincial governments.

Many Coins in Use. The coin formerly most largely used was the cash or li, made from an alloy of copper, iron and tin. It was the only coin which circulated freely throughout the provinces. This condition has been modified somewhat by the high cost of living, which has had a tendency to raise trade from a cash to a cent basis. The cash is as large as our twenty-five cent piece, but its value at par is equivalent to only 0.0007 of a dollar in United States money. These coins are usually strung in lots of 500 or 1,000 with knots between each hundred. The copper cent is generally worth either one-hundredth of a dollar or ten cash. The use of the dollar coin for domestic and retail transactions is rapidly becoming general. Some ten varieties of Chinese dollars are in circulation, together with Hong Kong and Straits dollars, the Mexican dollar and the old Spanish or Carolus dollar. The Japanese gold and silver yen also circulate in Manchuria, while the Province of Yunnan issues a gold coin worth ten silver dollars.

Coin Reform Urged. In some sections of China, native traders also pay for goods with the sycee, or "shoe" of silver. The British Chamber of Commerce recently petitioned

the government to discontinue the use of the sycee and establish a uniform currency of dollars and subsidiary silver and copper coinage throughout the country. They urged that a mint be opened in Shanghai for the free coinage of dollars, and that other mints be placed under its control as a step to obtain uniformity.

Value of Silver Tael. The actual value of the Chinese dollar in money of the United States varies according to the price of silver. Nowhere is it absolutely fixed in terms of taels of silver, though at any one point it has a fairly constant value in taels. As a result of the shifting of values in different localities, travelers frequently find themselves losers by from 2% to as high as 10% when they go from one city to another. The traveler also finds in cashing a check that, wherever he may be, the exchange nearly always is "against" him. Though no taels are coined and tael notes are extremely rare, many banks insist on figuring everything through taels and charging for conversion.

Standard a Weight. The tael is not a coin, but a weight supposed to be an ounce; by the natives it is called a liang. The United States equivalent at par of the tael is 0.703, but this varies as exchange fluctuates. The haikwan tael is currency in which tariff duties are levied, though the duties are paid by the merchant in local currency at a rate of exchange settled upon at the opening of each of the several customs offices. The value of the haikwan tael in foreign currency is fixed monthly by the Maritime Customs authorities. In theory, the money table of China reads as follows: one tael equals 10 mace; one mace equals ten candareens; one candareen equals ten cash.

A great many false coins are in circulation, their value being about half that of the good coins. These counterfeits are passed off on tourists and other unwary strangers. The Mexican dollar, for instance, often is split in half, part of the silver removed and a copper disc inserted in its place. The cheat is readily detected since the coin will split again if thrown violently on a desk.

Advertising Will Pay. Advertising, wisely handled, produces the same effect upon the Chinese as upon the western mind. The Chinese habitually notice even the smallest thing that comes under their observation, think it over and discuss it. There is only one written language, and about 40,000,000

Chinese read it. A quarter-million read English; of this number 1,500 have studied in American schools. The foreign press reaches the 165,000 foreigners in China and the English-speaking Chinese. Because of the language handicap, the Chinese best can be reached through illustrated advertising. There are several hundred newspapers, of which fifty have fairly good circulation. One newspaper has a daily circulation of about 30,000, but the average will hardly exceed 3,000. Papers are resold sometimes as often as ten times, the price dropping as the paper grows older and more worn.

Posters Effective. While newspaper advertising is less important in China than in the United States, handbills and posters are equally as effective there as here, and possibly of even greater value. Posters are unusually valuable, especially if illustrated, since they reach nine-tenths of the people. In planning them, the known rules of advertising art should be followed, for the Chinese have a highly developed artistic sense. Most firms consider it advantageous to have their advertising prepared on the ground and the designs drawn by Chinese to suit the native taste. The structure of language, association of ideas and conception of what is fitting and what is not, differ so widely from ours that advertising which ignores these factors might do more harm than good. Electric sign and window advertising are making their way to inland towns. It also is advantageous to advertise in railroad stations, where native travelers usually congregate long before the trains arrive. Illustrated advertising visualizes the trade-mark or "chop." Unless absolutely necessary, the "chop" never should be changed, for once it is firmly established the Chinese user will ask for no other.

Trade-Mark Registry. In China there are no trade-mark laws, though such legislation is prospective. At Shanghai and Tientsin, trade-marks and patents may be filed for provisional registration for a fee of five haikwan taels. This is payable until regulations for registering trade-marks become effective. Applications by Americans should be made through the American Consulate-General. In the absence of legal protection, the Powers have applied the regulations of the Trade-Mark Union to protect those trading in the country. Firms always should register their trade-mark in Japan (through a resident representative of the applicant furnished with a power of attorney; the cus-

tomary fee is 50 yen). It then should be registered in each American Consulate in China; also with the Chinese Maritime Customs. Care should be taken to select appropriate trade-marks. The choice should be left to someone who knows the country intimately. Many Chinese nouns have a symbolic meaning, and there is danger of choosing a word which might be highly inappropriate.

Consular Offices. American consulates or sub-consulates are maintained in the following cities:

Amoy	Chung-king	Hong Kong	Swatow
Antung	Dairen	Mukden	Tientsin
Canton	Foo-chow	Nanking	Tsi-nan-fu
Chang-sha	Hankow	Peking	Tsing-tau
Che-foo	Harbin	Shanghai	

Tariffs on Imports. No consular documents are required, but the Chinese Maritime Customs refuse to pass cargoes unless they are accompanied by invoices and other documents. Exporters should mail invoices to arrive with the cargoes. Importations of firearms and ammunition must be authorized by the government. The importation of salt (trade in which is a government monopoly returning a revenue of more than $90,000,000 a year) is forbidden except in the British possession of Hong Kong. Declaration tags or invoices also should be attached to parcel post packages. Merchandise in parcel post is admitted free up to a value of ten taels. Unless the packages are tagged, they frequently are held up for inspection. Incidentally, the parcel post service has been widely expanded in the last few years. In 1918, 2,738,000 packages, worth $40,109,700, were handled. There are postal stations now in more than 12,000 cities, towns and villages, and the service is being extended. The American post-office at Shanghai receives and sends mail, parcels and monev orders at United States domestic rates.

Rates to be Revised. The revised Chinese customs tariff went into effect in 1919. It is a uniform 5%, with 2½% added for admission to non-treaty ports. Shanghai market values form the basis for the assessment of duties. Goods from all countries are treated on the same basis. Duties on exports are nominally at the same rates as on imports. The new schedule is arranged by groups, not in alphabetical order. It is to be revised within two years from the date on which peace was concluded.

Trade Lists on File. American trade lists and catalogues, business directories and trade journals are kept on file in the various consulates in Chinese commercial centers, and also at the American Chambers of Commerce at Shanghai and Tientsin. At Amoy, for instance, a trade library of some 500 titles can be consulted. The Commercial and Industrial Commission of the Ministry of Agriculture and Commerce in Peking maintains a similar library for the benefit of Chinese importers and exporters. This Commission welcomes complimentary subscriptions to American trade journals and any other trade publications that will be of aid in the development of trade in China.

Sources of Information. Through the Bureau of Foreign and Domestic Commerce of the Department of Commerce, the United States Government maintains a staff of commercial attachés and field agents, and publishes reports of consular officials. A commercial attaché to China, at Peking, investigates and reports on financial, industrial and commercial conditions. The Bureau also sends agents to investigate particular lines of commerce or industry. China maintains an embassy at Washington, D. C.; mail should be addressed simply to the Chinese Embassy. The American Ambassador in China has his headquarters in Peking. Valuable information can be obtained through the American Chamber of Commerce in China.

America's Trade With India Growing

INDIA, WITH its 330,000,000 or more inhabitants and a foreign trade exceeding $1,250,000,000 a year, has been regarded in the past as a field peculiarly the property of British commercial endeavor. In a sense, this view holds today. In the years before the war, the British Empire held 53% of India's commerce, and in the last fiscal year of the war—the year ending March 31, 1919—its proportion was given as 54%. Nevertheless, the war wrought a great change in Indian commercial affairs which reacted to the advantage of other nations, and which made the country possibly the best field for American trade development of any British colony except Canada.

New Fields Sought. Before the World Conflict, England was the sea carrier for India's goods, her banker for nearly all trade markets, and the agent for most of her marine insurance. From the day the war began, Britain's energies were centered on meeting her great emergency. Indian traders came into contact with markets which they formerly had dealt with only through England, and their commerce had to seek other than British shipping. It might have been expected that the end of hostilities would have been followed by a drop in the trade which America built up with India in war-time, but this does not appear to be the case.

Our Trade Growing. The total trade between the United States and India in the calendar year 1919 was nearly $207,000,000, an increase of 22% over the amount in 1918, and of 54% over 1917. The 1919 imports from India amounted in value to $140,081,000 as compared with $129,688,000 in 1918 and $101,057,000 in 1917, while the goods shipped to India had a value of $67,505,500, as compared with $40,392,500 and $33,600,000, respectively, in the two years preceding. In other words, the value of exports from the United States to India increased 101% in the two years from 1917 to 1919, while imports from that country increased in value 39%. In 1912, India's total trade with the United States was less than $70,000,000.

Stimulus to Industry. The war reacted as an economic stimulus upon India in still another way. Isolated from its markets of supply in many essentials, the country made its real beginning in home manufactures, with the result that transition toward the industrial stage is now well under way. It was discovered that articles for which India had relied upon other nations could be manufactured profitably and satisfactorily at home. Cotton mills were erected, and the output of cotton yarn from India's mills has grown to 600,000,000 pounds a year, while the annual production of woven goods is 350,000,000 pounds. There are now nearly 250 mills, all told, in the country. Exports of manufactured jute in the fiscal year ending March 31, 1919, were $140,000,000, and of tanned hides $25,000,000.

Textiles and Steel. The war gave an impetus to glass making and the manufacture of textiles, iron and steel. In the jungles of Orissa, the Tata Steel and Iron Works, the "Pittsburgh" of southwest Asia, has become the focus of an industrial organization that provides not only manufactured goods but training and credit and other commercial facilities in support of industrial development. Moreover, the "Swadeshi" (patronize home industries) movement has received official endorsement. The India Munitions Board has become a permanent body to further industry. It has adopted a constructive policy and provides the greatest encouragement to home manufacture which the country has known since the early eighteenth century, before the arrival of the East India Company, when native arts and crafts still flourished.

Rapid Trade Growth. In the last four years, India has advanced to third place among the countries of the Far East in volume of trade with the United States. It is ranked only by Japan and China. The Philippines took $2,800,000 more of our products than did India, but sent us nearly $75,000,000 less in native products. The largest items of India's products imported by this country were burlap and jute woven fabrics, which last year totalled nearly $54,900,000, a considerable decrease, by the way, from the previous year. Cattle hides and calf, goat and sheep skins, raw and tanned, were imported from India to the combined value of $46,000,000, as compared with $20,000,000 in 1917 and $11,000,000 in 1918.

American Exports. Our leading items of export to India were illuminating and lubricating oils which totalled $9,026,500, as against $3,660,000 the preceding year, and $4,171,500 in 1917. In iron and steel manufactures, this country sent to India more than $6,900,000; the figures for the two preceding years, respectively, were $2,754,800 and $2,777,250. In the automobile trade, 2,624 passenger cars were shipped to India, with a value, including shipments of automobile parts, of $2,891,943. In this field, America led all competitors. Possibly the most remarkable development of war-time trade with India was in America's newest industry, the making of dyes, which, from nothing at all five years ago, has reached a total of upwards of $1,833,000 a year. Nearly all the film imports into India are from the United States.

Buy from Japan. Offsetting the American increase in trade, Japan also has forged ahead in commerce with India. The latter country has sent cotton to Japan, and in turn has taken cotton manufactures, matches, glassware, metals and silks. Imports from Japan have trebled since 1916, and 90% of the goods are carried in Japanese bottoms and are consigned to Japanese firms.

America's Opportunity. A real opportunity lies before the United States, however, to retain her portion of India's trade, and even to increase it. India's purchasing power for foreign goods is only $1.91 per capita, but this amounts to more than $600,000,000 annually. Great Britain naturally is the main source of supply, but the sentiment for British trade has been created largely through custom, superiority of the goods or familiarity with the market. In addition to the products named, there is a demand for a variety of labor-saving machinery, electrical apparatus and hardware, grains, typewriters, sewing machines, tools, barbed and other wire, explosives, soap, medicines, condensed milk and metals. Only twelve other countries have taken so many typewriters.

Traits of the Indian. India is one of the most densely populated countries in the world. Unlike the western nations, the Hindu does not believe in the multiplication of wants. Theoretically at least, men are judged according to

their spiritual strength, not according to their possessions and rank. Religious prejudices are intense. The subordination of materialism to idealism, or mysticism, has been the foundation of the country's social and industrial organization. In practice, it has created a low conception of work and slight recognition of the dignity of labor. The laborer lacks a sense of responsibility and does not hesitate to leave a piece of work unfinished because of a grievance, imagined or real.

New Ideas Entering. The native village system and the prevailing traditions of caste have been strongly influential in determining the race characteristics. Each village has been sufficient to itself in the past in providing its few native needs. The son has been taught to follow the trade of the father; he has had neither opportunity nor desire to become a part of the larger world. This condition has been considerably modified in the last few years. Many Indian youths have gone to America and Europe to study business, commercial and social customs, and on their return have introduced these methods, adapting them to native needs. Another influence for change is the soldier who fought in Europe, and who has taken back new concepts based on western ideas. At present, the country is going through a period of unrest due to the post-war economic readjustment.

Many Small States. India is the great central peninsula of Asia, extending southward from the continental mass with the Bay of Bengal to the east, and the Arabian Sea on the west. It has an area, including nearly 700 small native states, of 1,802,657 square miles, about half the size of the United States. There are three physical regions; the mountain districts of the Himalayas, the lower plains of the three great rivers of Northern India—the Ganges, Indus and Brahmapootra—and the high plateau of the Deccan, extending from the plain of the Ganges southward.

Places for Agencies. American firms which are preparing to extend their business in India should recognize the radical difference between the market requirements on the Bombay side—the west—and the Calcutta side, on the Bay of Bengal. The influence of the two chief religions, Mohammedanism on the one hand and Buddhism on the other, is a controlling factor in trade. Bombay and Calcutta offer the best opportuni-

ties for agencies. Calcutta, being the larger city and chief port, usually has received the preference. It is an industrial center, with jute mills, brick works, foundries and smelters, and has a population of approximately 1,250,000. It is on the Hooghly River, about eighty-six miles from the sea, and is well equipped to handle cargoes with dispatch. Its foreign commerce approaches half a billion dollars annually, and the greater part of India's trade with the United States passes through it.

Bombay Trade Center. In time, Bombay, which also has more than a million people, may become as great a center as Calcutta. Its transportation facilities are better, and it is the principal point of arrival for mails from Europe. It is as easy to go by rail from Bombay to Delhi, in the north, as from Calcutta to Delhi. The bazaars in Bombay distribute for the whole western side, including Afghanistan, Baluchistan and Tibet. Merchants from Lahore and other cities of the upper northwest territory go to Bombay regularly or have resident buyers there. The city is important as a cotton mill center.

Many Large Cities. Other important ports are Karachi, north of Bombay, the outlet for much of the trade of Afghanistan and Baluchistan; Madras, on the east side of the peninsula, the principal city in Southern India, with more than 500,000 population, and Chittagong, near Calcutta. Even in the interior, there are such populous cities as Agra, Cawnpore, Delhi, Lucknow, Lahore and Amritzar, where the merchants do some direct importing, although the majority of dealers depend upon the importers in the chief ports. The canvassing of such places must be left to the judgment of the local agent or to the traveling representative who investigates conditions on the ground.

Political Divisions. Politically, India is divided into fifteen provinces under a viceroy and legislative council. The Presidencies of Madras, Bombay and Bengal are under governors, assisted by legislative and executive councils. The native states, which have varying degrees of independence, are governed by native princes, but each has a British "resident," or agent, who keeps in close touch with its affairs. These native states have an area of 709,583 square miles with a population of approximately 75,000,000.

Best Time for Visit. The best business season is from October to February when the days are cool and healthful conditions generally prevail. Prospective customers then have a more definite idea of what they want, because they know whether the year's crop is a failure or a success. India's purchasing power depends to a large extent upon the monsoons. A bad monsoon means crop failures and results in food shortages and sometimes famine over extensive areas. The climate is more or less tropical except in the mountains and elevated plateaus. It is not unhealthful for whites if ordinary precautions are taken, except in the jungle and marsh land districts. There are two distinct seasons, the dry season of the northeast monsoon, and the rainy season of the southwest monsoon. The dry monsoon lasts from November to May—May being the hottest month. The wet season begins in June and lasts until October.

Routes of Approach. The European travels to India through the Suez Canal and the Red Sea to Bombay, or to Ceylon, whence, crossing Palk's Strait by railroad over Adam's bridge, he reaches Madras. The American usually approaches from the coast of China, reaching Calcutta via Singapore.

Railways Extensive. The broad rivers in India are navigable the year round, and are magnificent highways. The Ganges is the most important. It is navigable for river craft to Hardwar, for light draft steamboats to within 100 miles of the mountains, and for barges as far as Cawnpore. In many sections, river transportation is in excess of that by rail and road. In railroad mileage, India stands fourth among the countries of the world, ranking below only the United States, Russia and Germany. The total length of the railways is nearing 40,000 miles. The lines form a highly developed trunk system connecting all the large cities, with branch lines to many smaller places. More than half the mileage is owned and operated by the government.

Railroads are Modern. Railroad accommodations, formerly rather primitive, have advanced rapidly in the last decade, and now compare favorably with those in Occidental countries. Passenger trains are run on frequent and rapid schedules. On some of the roads, the American standard gauge is in use. While there are a few modern roads in and near cities, there

is a general lack of good highways. Embanked roads and bridges are seldom found. A system connecting all centers of commerce with large markets is needed. In the rainy season, traffic by wheel, for the most part, is suspended.

Language is English. English is the official language, and is spoken by nearly all leading merchants. Nevertheless, the native finds pleasure in meeting a foreigner who has taken the trouble to learn to speak his own tongue. The most common dialect of the many in use is Hindustani.

Great Wealth in Soil. The food needs of the large population, coupled with the fertility of the land, make agriculture the chief occupation. About 90% of the people are engaged in farming and its allied industries. Antiquated methods are the rule, with resulting crop yields far below the possibilities of the soil, though irrigation is being extended with good results and convenient transportation to market is an incentive to production. The total crop acreage is in the neighborhood of 250,000,000 of which some 40,675,000 acres are under irrigation. The chief agricultural products are rice—in which it is estimated 73,233,000 acres were sown this year—cotton, maize, wheat, barley, flax, jute, hemp, indigo, tea, coffee, sugar, ginger, pepper, fruits, etc.

Sugar and Cotton. The country is probably the greatest cultivator of cane sugar in the world, but it also is one of the greatest consumers and does not raise enough to supply its own needs. It is the second largest cotton producer, and last year 13,302,000 acres were under cotton cultivation, an increase of 18% over the previous season. The wheat yield is approximately 10,000,000 tons; rice, 34,000,000 tons; sugar cane, 2,150,000 tons, and tea, 368,500,000 pounds. Food grain exports come to $140,000,000 a year, and the exports of tea to $60,000,000.

Rich in Coal and Oil. Coal is the principal mineral product. The annual output is nearly 20,000,000 tons, most of it from the Provinces of Bengal, Bilhar and Orissa. Gold and petroleum also are produced in quantity, and mica and manganese ore to some extent in the south. Saltpeter, lead, tin and rubies are found. Salt is produced in interior lakes under government monopoly; the annual output is 1,000,000 tons.

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Rosewoods Abound. Three valuable woods are found in the forests: teak, which is most abundant along the Bombay coast and in Central India; sal, found in Central India and on the slopes of the Himalayas, and the deodar, which is chiefly obtained from the northwestern Himalayas. The forests also contain blackwood, bamboo, sandalwood, ebony and several varieties of pine. The country is progressing in afforestation. Huge tracts are reserved as forest areas under a government department. The forest area of India covers 86,000,000 acres.

Factories Developing. Chief among the industries are the making of cotton fabrics, lace culture and manufacture, spinning and weaving jute, paper making, husking and cleaning rice, tanning, stock raising, fishing, oil pressing, embroidery and hand loom weaving. In Madras Presidency, there are nearly 500 factories of different kinds. The tanning industry is developing rapidly, and new factories soon will give an annual addition to the pre-war output of 2,250,000 hides and 2,500,000 skins. The natives make beautiful fabrics, metal work and carving in wood and ivory.

Direct Dealing Best. The native merchant is the dominant factor in the economic scheme of India, and direct dealing with him is to be desired where practicable. He is well disposed toward American goods, and now is familiar with canned products, motor vehicles, toilet preparations, typewriters, sewing machines, tools, hardware and other articles which we produce. He is most approachable if he receives courteous and considerate treatment. He must be met on a footing of equality. He does not visualize readily and does not like to do business from catalogues; he prefers to deal with principals.

Introducing New Lines. The salesman who goes to India should have the full confidence of his firm and be empowered to enter into contracts, fix terms of credit and give the final word on prices without referring to the home office. With such a man, the merchant will be frank and straightforward; with an ill-equipped or unauthorized salesman, he will be reluctant to do business at all. He expects new goods to be properly introduced. He has confidence in tried methods and familiar firms, and refers matters to them before he embarks on a new enterprise.

Customs in Business. As for business etiquette, a personal call before 11 o'clock is not advisable. A letter of introduction is desirable. It is considered bad form and bad business to call on mailing days. In Bombay these are Friday and Saturday; in the interior, they are earlier in the week. A practice more or less unfamiliar to the American business man is that of showing all invoices and all correspondence, and having no business secrets.

Carry Varied Stocks. The Indian is a keen trader and does business on a close margin. The natives trade at weekly fairs, annual religious assemblages or daily bazaars. In Bombay, Calcutta, Madras, Rangoon and other large cities, the British and European bazaar trade is distinct from the native. The native merchant usually carries a stock of wonderful variety; few have attempted specialization. The Indian idea is that a merchant should be prepared to satisfy any demand. He frequently has local and district salesmen, and is both wholesaler and retailer. India has been the land of cottage industries. The local trade is carried on by traveling brokers, agents beparis or paikars. The paikars are neither intelligent nor enterprising, but as agents they suit the remote cottage artisan.

Rely on Middleman. The principal imports are made by large commercial houses established in the chief cities. These importers sell to the bazaar trade or to the native dealers. In many cases, their business is carried on through natives whose functions are virtually those of the comprador, and who are responsible for the sale of the goods imported. In addition to the European importers, there is a rapidly growing number of native merchants who desire and are sufficiently strong to establish direct relations with foreign dealers.

Bank Facilities Good. Four classes of banks do business in India; the European and American exchange banks, the Presidency banks, the Indian joint stock banks and a miscellaneous group of native bankers and brokers (shroffs, marwaris, etc.). The three Presidency banks are those of Bengal, Madras and Bombay. The exchange banks are: Delhi and London Bank, the Chartered Bank of India, Australia and China, the National Bank of India, Hong Kong and Shanghai Banking

Corporation, the International Banking Corporation, the Mercantile Bank of India and the Eastern Bank. The Tata Industrial Bank was organized to finance industries; the Asia Banking Corporation is its correspondent in other countries of the Far East. Cox & Company operate in Bombay, Calcutta, Karachi, Murree, Rawal, Pindi and Kashmir. The British Government is planning to reorganize the banking system of the country. There is need for a strong central bank to stabilize finances, and it has been proposed to establish an institution along lines similar to the Federal Reserve Bank of the United States, which would issue notes, supervise the money market and handle the finances of the Indian Government through a branch in London.

Credit Risk Small. Americans exporting to India run no undue risks, since their business is with large firms which have a recognized standing. With native conditions, the American rarely comes in contact. One outstanding feature of the local situation has been the scarcity of money, due largely to the practice of hoarding. Formerly the money lender, known as the jater, or pater mahajan, was the main support of all agricultural industry, and as a result, about 75% of the population was in debt. He has become a passing figure with the establishment of co-operative credit societies. In 1915, these organizations had a working capital of more than $30,000,000.

Banian a Comprador. The banian, or guarantee broker, undertakes the bazaar risk—that is, he guarantees the importing firm against loss. His acceptance of the draft against the bill of lading is provided for by the importing firm before it undertakes to fill the order. This shroff acts, therefore, as a middleman between the trading community and the banks. If he cannot meet the demands, he takes bills which he already has on hand to the bank for discount under its indorsement. His usual charge is 1% or 2% of the amount of the draft. These guarantee brokers are found all over India. It is impossible to get in touch with them through correspondence as they operate only through the banks. Their duties differ from those of the Chinese comprador in that in China each firm employs its own comprador, while in India a guarantee broker may operate for many firms in different lines of production, although selling to the same class of middlemen or retailers.

Want Longer Credits. Many American manufacturers insist upon payment when the goods are ready for shipment. This arrangement usually is unsatisfactory to the Indian importer, who wants prices quoted c. i. f., credit up to six months, and more liberal terms in settlement of claims for breakage and shortage than Americans have been inclined to grant.

Care in Packing. In the shipment of goods, the form in which they are put up should receive special consideration. Packing that will do for temperate countries, or even in some tropical countries may be entirely unsuitable to India. Dry food products or chemical powders, for instance, should be put up in glass containers; the humidity of the Indian climate causes metal packings to sweat and the contents to spoil. In all instances, hooped packing cases should be used to withstand the rough handling by native labor at the docks and railways.

Rupee Rises in Value. Americans sell for American gold or English money, and are not concerned with native currency, though a general familiarity with the system is of interest. Notes are issued only by the Government. The principal coin in circulation is the rupee, a silver coin equivalent in pre-war days to 1 shilling, 4 pence, sterling. Owing to the rise in the value of silver, the value of the rupee recently was fixed at 2 shillings, gold, and the current sterling rate as this is written, has mounted to 2 shillings, 9 pence. Other coins are the anna (nickel), sixteen of which equal a rupee in value, and the pie (bronze) worth one-twelfth of an anna. The rupee is unlimited tender and, so far as the law provides, inconvertible. The sovereign is unlimited legal tender, and is convertible. Government notes, called currency notes of 5, 10, 50, 100, 500, 1,000 and 10,000 rupees, are legal tender throughout British India.

Advertising Methods. Few of the village population read newspapers, and indiscriminate advertising is wasteful. Only a small per cent. reads English, and a by no means large proportion reads the native vernacular. Newspaper advertising rates are high, but where the papers reach the class for which they are designed, the results are good. In advertising, some firms emphasize the need of an abundance of literature with the articles to be purchased. Others ask that the literature fur-

nished have the names of the dealers printed on it, and that the manufacturer send letters to names furnished by the dealers. Simple pictorial advertising always is effective.

Novelty Advertising. Among novelties, umbrellas are popular, as they are used for protection against both sun and rain. Fans also are considered successful because they are useful. Mirrors and paper weights are widely distributed, the latter being an actual necessity in offices where electric fans constantly are in use. Another effective advertising medium is the booklet in which the half-anna and anna postage stamps are sold. Information regarding this can be obtained from the Director General of Posts and Telegraphs, at Simla.

"Made in U. S. A." The Merchandise Marks Act of India requires that the trade-mark and country of origin shall be on all imported goods made or produced beyond the limits of the United Kingdom and British India. When this is not done, it is assumed that all marks in English denote England as the country of origin. By observing this law, manufacturers will obtain entry of their goods without fines and unnecessary delay. These counter indications must be made on the label and must be repeated every time the name is used and in each language in which the name appears. They must be shown in full in letters as conspicuous as any other designations on the label. For this country, the counter indications should read, "Made in U. S. A."; the letters "U. S. A." alone do not suffice.

Value of Trade-Mark. The "chop," or trade mark, is as effective and valuable in gaining orders and maintaining sales as it is in China. Care should be exercised that in selecting it, no design is used which might offend religious prejudices; otherwise, no matter how great virtues the article might have, it would be taboo. Both Hindu and Mohammedan carry their religion into everything they do. Formal registration of the trade-mark is unnecessary in the customs houses of India; although there has been considerable agitation for a law requiring it. Further information regarding the Merchandise Marks Act can be obtained in the "Merchandise Marks Manual," published officially by the Superintendent of Government Printing at Calcutta. The price is eight annas.

Tariff Favors Britain. No consular documents are required. Since September 1, 1919, there has been a preferential tariff favorable to all dutiable goods grown or manufactured within the British Empire or consigned from there. Under this, British motor cars, musical instruments, clocks, watches and moving picture films pay a two-thirds rate. A five-sixths rate is charged on tea, cocoa, coffee, chicory, currants, dried or preserved fruits, sugar and sugar products, motors, spirits and tobacco. The importation into British India from other countries than England of certain articles, including dyes, books, coffee, unset diamonds, etc., is prohibited except under licenses issued by the customs officers. Such duties as exist are uniform for all countries outside the British Empire. An exporters' manual should be consulted for specific regulations.

Can Use Parcel Post. Parcel post packages are accepted from the United States for India up to 11 pounds, under the conditions applicable to parcels for Great Britain. In addition to the regular 12 cents a pound, the transit fee is 24 cents for packages from 1 to 3 pounds, 48 cents on packages from 4 to 7 pounds, and 72 cents on packages from 8 to 11 pounds. There are some 20,000 post-offices in the country.

Consuls Help Trade. United States Consular offices are maintained at Bombay, Calcutta, Madras and Rangoon. The usual information of value to American manufacturers is kept on file. A room has been added to the American consulate at Madras for the filing of commercial catalogues and trade literature and the exhibit of samples of American merchandise. Catalogues, samples and price lists can be forwarded to the consul.

BUREAU OF INTERNATIONAL RELATIONS
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The Dutch East Indies, a War Gain

THE GROWTH in trade between the United States and the Dutch East Indies in the last few years has been one of the noteworthy features of our Far Eastern commercial expansion. The following figures present this forcibly:

Year	Imports to U. S.	Exports from U. S.	Total
1914	$5,334,000	$3,677,000	$9,011,000
1915	9,246,000	2,772,000	12,018,000
1916	27,706,000	7,401,000	35,107,000
1917	88,620,800	26,992,350	115,613,150
1918	74,982,650	23,379,400	98,362,050
1919	78,746,100	46,576,500	125,322,600

A Marvelous Growth. These figures show that in the last five years America's trade with the Netherlands colonies increased approximately 1,300%. They show also that while our imports from the islands greatly exceed our exports to them, our purchases have not increased since 1917, whereas our sales since then have grown 72½%.

A War Discovery. The United States now holds something more than one-fifth of the foreign trade of the Dutch East Indies, notwithstanding that until the war we had not discovered their commercial possibilities. Before 1914, Great Britain, Germany and Holland supplied the trade wants of the archipelago. It is doubtful that the German houses will be able to resume business on an extensive scale for a long time, and neither the English nor the Dutch as yet have made much headway in regaining their pre-war trade.

Japan's Mistake. Japan had the best chance to profit by the new conditions, partly because of her cheap labor and in part because of her rapid construction of merchant shipping. Imports from Japan jumped from $4,500,000 in 1916 to $18,600,000 in 1917 and nearly $36,000,000 in 1918. But a great quantity of inferior goods was dumped by Japan on the islands, and last year there was a notable diminution in the demand for Japanese products.

America's Opportunity. America's growth in trade in the Dutch East Indies, while rapid, has been fairly regular. The archipelago was prosperous during the war, and is still prosperous. The islanders have made great strides toward modern comforts and their demand is for a better class of goods than before. Their purchasing power is greater than ever before. For years the islands will have to import machinery and finished products such as this country can supply, and they furnish certain staples which American manufacturers must have.

Want Trade with Us. The trade future of the United States here depends simply upon the ability of American manufacturers and exporters to meet European and Asiatic competition, and the energy with which trade is pushed. Direct transportation facilities now exist, and a healthy demand for American goods has been created. The colonial government, in its program for development, is inviting American capital under conditions designed to be both attractive and secure, for investment in plantations, rice and oil mills, government and municipal loans and industrial undertakings. Except in the Philippines, Americans nowhere in the East will meet fewer obstacles to trade.

Needs and Products. Making full allowance for increased prices, the trade of the Dutch East Indies has increased since 1914 more than 50%. For native consumption, they import drygoods, yarns, dyes, cheap earthenware and hardware. The foreign population wants clothing, hosiery, hats, underwear, shoes, canned foods, motor cars and luxuries. The island industries call for iron, steel, brass and copper; factory, mining, electrical and agricultural machinery; railway and building materials, paper, typewriters and office supplies. The archipelago exports rubber, coffee, tea, tin, sugar, skins, tobacco, cocoanut products, kapok, petroleum, tapioca, teak and cinchona bark. Altogether, her foreign trade is above half a billion dollars annually.

Where the U. S. Leads. The United States now stands first in many lines of the island imports. Nearly all the motor cars sent to the colonies in 1919 were of American make; their number was about 2,000, and their value, with tires, accessories and parts, $3,064,000. Our exports of illuminating and lubricating oils totalled $2,795,700, while iron, steel and tin

manufactures of one kind or another were nearly $5,000,000. We led in sales of railway material and equipment, mill and mining machinery, typewriters and electrical appliances.

Our Purchases Heavy. On the other side of the ledger, the United States purchased from the colonies 61,260,330 pounds of rubber worth $24,600,000—approximately half of the rubber exports; 56,312,793 pounds of coffee, valued at $10,084,100; calf and goat skins to the extent of $6,300,000; tea worth $1,776,800; $2,500,800 in tin, and cigar wrappers to the amount of $9,087,000.

An Island Empire. The Dutch East Indies extend in a chain between Asia and the island continent of Australia. If superimposed upon the United States, the group would reach, east and west, from Seattle, Washington, to east of Philadelphia, and north and south from Minneapolis to New Orleans. Their area is 750,000 square miles, approximately one-fourth the size of continental United States. Their population has been estimated at from 37,000,000 to as high as 48,000,000, or seven times that of Holland. The total includes some 600,000 Asiatics—chiefly Chinese—and 100,000 Europeans.

Java Most Developed. Java is the most important, most populous and most extensively developed island. Its area is about 50,500 square miles. Sumatra, second in point of development and nearest to Asia, is fourteen times as large as Holland. North of Java is Borneo, third largest island in the world, of which Holland owns territory equivalent in size to Louisiana, Mississippi, Alabama and Delaware. East of Borneo is Celebes, with an area, including dependencies, larger than North Dakota; and still farther east New Guinea, half of which (with an area as great as California and Oregon), belongs to the Dutch. Other of the 1,000 islands in the group are Banka and Billiton, between Sumatra and Borneo; the Moluccas, between Celebes and New Guinea, and Timor and the lesser Sundas, east of Java.

Wisely Governed. The islands have been under Dutch control since 1596. They are divided into three governments, thirty-three "residenties" and one independent district, and are administered under a governor-general appointed by the

Queen of Holland, and representatives in the outlying districts. Batavia, in Western Java, is the seat of government. The principal cities are modern, with railroads, steamship connections, telegraph and telephone systems, excellent hotels and an ably administered system of schools, including technical colleges and manual training institutions. The wealth of the archipelago is due to its soil and tropical climate, its comparatively high class of native subjects and to the progressive and enlightened policy of the Dutch rule.

Roads and Railways. There are nearly 2,000 miles of railway in the islands, mostly of standard gauge. The greater part of the mileage is in Java. The program of the colonial government calls for the construction of 10,000 miles of track in the next fifteen or twenty years, and in this it is counting upon the assistance of American capital, materials and engineers. There is a good system of roads in the more developed sections, and the use of motor buses and trucks is spreading, thus opening up a field of excellent promise to Americans.

Well Served by Sea. A weekly steamship service is maintained from Holland through the Suez Canal. Two lines—one to Australia and the other to the Philippines, China and Japan—have been subsidized by Java. There is a line from Java to San Francisco with stops at Manila and at ports in China and Japan. A line also has been established between New York and the islands by way of the Cape of Good Hope, the longest but cheapest freight route from eastern United States. The Royal Packet Navigation Company, subsidized by the colonial government, furnishes an inter-island service which includes Batavia, Singapore and Melbourne, Australia, and an English company in Singapore operates in competition with it. The Manyo Kum Kaisha Line runs between Java and Japan.

Land Farmed on Lease. Title to all agricultural, forest and mineral lands is held by the government. Farm and timber lands are leased in large "estates" at moderate rentals for seventy-five-year periods. The most important products for export—tea, sugar, coffee, rubber, tobacco and quinine—are cultivated by Europeans; copra, rice and spices are raised chiefly by natives. About 200,000 square miles is under cultivation.

Tea Crop Valuable. In the last two years, the islands have become one of the most important sources of tea. This is due largely to the increased consumption of Java tea in the United States. Twenty per cent of the world's production, with a value of $12,000,000, is exported from Java and Sumatra. In Java 140 estates are devoted to tea raising. The Java tea crop increased from 16,750,000 pounds in 1901 to 101,750,000 in 1915, or 500% in fourteen years. There are fifteen big tea estates with modern machinery, covering 17,537 acres, in the island of Sumatra.

Rubber, Coffee, Sugar. Forty per cent of the world's rubber production is raised on 700 estates in Java and on 266 in the other islands. Coffee is raised on more than 500 estates, with an acreage of more than 225,000; coffee exports are valued at more than $9,000,000. In sugar production, the islands are second only to Cuba. In 1918, 186 sugar factories in Java turned out 1,750,197 tons. More than 200,000 acres are under cane cultivation. The 1920 crop was about 1,650,000 tons.

Rice Chief Food. Rice is the principal food, but the superior grades raised are for export, and large quantities of inferior grades are imported for the native diet. More than half of the world's copra is produced here; the exports total $30,000,000 a year. The tobacco crop in Sumatra and Java is approximately 200,000,000 pounds, and tapioca production is large. Thirty-six thousand acres in Java and Sumatra are planted in the Peruvian bark tree and exports of cinchona exceed 10,000 tons.

Wealth in Forests. More than 2,000 varieties of trees are found in the 247,000,000 acres of forest land. Among them are whole forests of teak, most of them offering easy development. Mangrove and gum-producing trees, ebony, sandalwood and ironwood also are found. The gutta-percha tree is being extensively cultivated. Afforestation is supervised by the Colonial Forestry Department.

Rich in Tin and Oil. The tin mines—chiefly in Banka and Billiton—are worked by Chinese. During the war, the United States took the greater part of the entire output. Exports in other metals amount to $2,500,000 a year. The archi-

pelago is the fourth oil-producing region in the world, the United States, Russia and Mexico alone surpassing it. Petroleum is found in Borneo, Java, New Guinea and Sumatra. The total output is valued at $20,000,000 a year, of which nearly half is sent to India. Coal of excellent quality is produced for home use.

Industries Backward. Industries are undeveloped. Pottery, basket making, plaiting, weaving and staining mats are conducted by natives in Java. The Malays are apt in carving brass, gold, silver and tin. Batik making, a process for the ornamentation of native cloth stuffs, is extensively carried on by women in Java. The more developed industries are under European and Chinese management. Most of the machinery is imported, but repairs are handled in local shops. Java has a metal foundry. Ice is made on a large scale. Other industries include the manufacture of building materials, paper, spirits, tanning, bamboo, pandan hats and furniture.

Trade Conditions. To establish direct relations, the American manufacturer should send a representative who is acquainted with the islands and who speaks Dutch. The purchasing power of the colonies is held by the Europeans and Chinese. The import trade is in the hands of general import houses with trained staffs and good business organizations. The small wholesalers and many of the retailers are Chinese.

Distributing Goods. Javanese import houses supply foreign goods to dealers and storekeepers, extending credit up to four months—longer under special circumstances. Some retailers are thoroughly substantial and know enough of overseas trade to warrant direct relations. The Chinese jobber sells to small storekeepers—other Chinese, Arabs and Malays—who buy on as long credit as they can get. These tradesmen distribute imported articles and also act as agents for the island exporters in collecting native products.

From Java an extensive trade is carried on with the smaller islands. If American merchants would keep in Batavia and Sourabaya moderate stocks of cotton goods, watches, clocks, knives, hardware, metal goods and other articles used by the natives, they could develop a profitable trade.

Credit a Big Factor. Credit is a large factor in the island trade. Americans have been accustomed to sell on a cash basis. The principal import houses are reliable and of old standing, and European manufacturers grant them two or three months credit, with from 2 to 3% reduction for cash. Large Dutch houses take advantage of the liberal cash discounts offered by Americans, but smaller houses frequently cannot make use of them, though their credit may rate high. They must have terms that will permit them to put shipments in warehouses, where they can be borrowed upon from the local banks when the bills fall due. This generally means thirty days acceptance. Merchants in the colonies feel that the United States must give some consideration to their convenience if she is to hold her war-gained trade. Ample facilities exist to ascertain the standing of any business house.

Value of Advertising. Price lists and catalogues are not effective in approaching the markets. The merchants prefer to do business direct with an agent stationed in the islands, or with a visiting salesman. Magazine advertising is said to be effective if properly distributed. The colonial has much spare time on his hands and is a great reader. Through magazines he has come to know much about American products.

Seasons Much Alike. The temperature varies so little (the mean is from 77 to 80 degrees) that it does not matter greatly when a visit is made. From May to November is the period of the dry monsoon from the south; from December to March, the wet monsoon brings moisture from the China Sea on the north. Frost is unknown, even in the highest mountains.

Java Trade Center. Sales tours should be planned with Java as the center. Sumatra is within easy reach of either Java or Singapore. Dutch Borneo and Celebes may be reached from Singapore or Batavia, but the best way is to go to Celebes from Sourabaya after completing the tour of Java. The tour is largely dependent on the service of the Royal Packet Company; as its routes are complicated, the traveler should plan his trip carefully beforehand.

Passports Required. Passports giving name, nationality, age, place of departure and purpose, must be left with the district office within three days after arrival. A special

passport is required to visit the interior. Usually passports are limited to six months. A commercial representative may carry samples up to a certain value without paying duty, though he must give security equivalent to the amount of the duty until the samples are taken away again. Import duties ranging from 5 to 12% ad valorem are charged on manufactured goods, canned foods and beverages, and an export duty of from 2 to 6% on hides, minerals and tobacco.

English and Dutch. The English and Dutch languages are used commercially. A working knowledge of Malay can be obtained from the handbook of conversation usually placed in the hands of the tourist. Official documents are written in Dutch and frequently translated into Chinese and Malay. Many native dialects are found in various parts of the islands.

Dutch Money Used. The currency is Dutch. The standard gold coins of 10 guilders and 5 guilders are seldom seen. Silver coins in daily use are the florin 2.50, florin 1 and 50 cents. Smaller silver, nickel and copper coins circulate down to the denomination of half-cent pieces, and the pound sterling also is accepted.

Trade-Mark Rights. Trade and factory marks are protected by law. The privilege of prime use is given to the one who first uses it. Right of exclusive use depends on the mark actually being used. The first registration holds twenty years, but legal protection ceases three years after the mark last has been used.

Many Foreign Banks. Banking facilities are excellent. The colonial system functions something like the United States Federal Reserve system. In trade, the banks assist in financing shipments of goods to and from the archipelago; they also finance the operation of sugar, coffee, rubber, tea and cinchona estates. The Java Bank is the central colonial institution; it has branches in all the islands. Foreign banks with branches in the group include the Chartered Bank of India, Australia and China, the Bank of Taiwan, the Hong Kong and Shanghai Banking Corporation, the Yokohama Specie Bank, the International Banking Corporation, Cox & Company, the Banque

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de l'Indo-Chine, Philippine National Bank, the Netherlands Trading Society, the Dutch Society of Commerce, the Netherlands Indies Commercial Bank, Netherlands-India Discount Bank, the Indo-Dutch Agricultural Society, the American Commercial Society, the Colonial Banking Corporation, the Principalities Agricultural Company, the Commercial Bank of Australia, Union Bank of the Netherlands and Colonies, Molukische Handelsvennootschap, the Indo-Dutch Bank and Credit Society, the Indo-Dutch Mortgage Bank of Batavia, the Javanese Mortgage Bank of Amsterdam and a credit establishment for natives, the Poerwokertosche Hulp-Spaaren Landhouw-credit-bank.

Shipping Documents. No consular documents are required, and there are no restrictions as to shipping marks and weights. For specific shipping regulations, consult a standard exporters' guide. Information as to trade resources is published by the Government. Among publications, "The Yearbook of the Netherlands East Indies" is issued annually in Dutch and English by the Department of Agriculture, Labor and Commerce at Buitenzorg, Java. Other publications by this department are "Our Colonial Agriculture," "Communications of the Statistical Bureau" and "Bulletin of the Java Sugar Industry." Maps can be obtained from the Topographical Bureau at Batavia.

Chosen—A Country Awakening

ANCIENT KOREA, renamed Chosen by the Japanese, is a promising future market. Its population of more than 17,500,000 is still too poor to buy luxuries, but under the direction of the Japanese the people are being awakened and the national character reformed. Agriculture, which has been carried on by primitive methods, is being put upon a more modern basis. Japanese, Americans and others have begun to develop the peninsula's mining possibilities. Rich timber resources are at the beginning of development. The railroad, telephone and telegraph have been firmly established where a comparatively few years ago the presence of the foreigner and all his works were unwelcome.

Trade Possibilities. The principal obstacles to extending profitable American trade with the natives are the sharp competition of the Japanese, insufficient railway transportation, scarcity of small money, inadequate banking facilities and high freight and insurance charges.

An indication of what may be expected from the trade of Chosen is contained in its growth in the last fifteen years. In 1904, the total value of Chosen's foreign commerce was $17,466,653. In 1919, the exports of Chosen were $95,000,000 and the imports $127,500,000, a total of $222,500,000. The United States exported to Chosen goods worth $3,333,500, of which illuminating oil represented $1,077,000, and imported from that country commodities valued at $335,000. Among the American products taken by Chosen were flour, iron and steel goods, machinery, railway equipment and meats. Japan has virtually nine-tenths of the total trade of the peninsula.

Upper Class Idlers. Chosen is a tongue of land some 135 miles wide reaching southward 600 miles from the Asiatic continent between the Yellow Sea and the Sea of Japan. It has an area of 84,400 square miles. Native Koreans resemble the Manchus to the northward in appearance and habits. The old population was divided into five classes; two classes of nobility, an intermediate class, the common people and slaves. Many of the

class barriers were abolished when Chosen became a part of the Japanese Empire in 1910, but there remains an upper class strongly predisposed to idleness and holding labor and trade in scorn.

Places for Agencies. The traveler has no difficulty in reaching the peninsula. The service between Fusan in Chosen and Shimonoseki in Japan is virtually on a ferry basis. Four steamers operate regularly and the passage requires only twelve hours. Fusan is the chief port. Other open ports are Chemulpo, Seishin, Chinnampo, Chungjin, Kunsan, Wousan, Mokpo, Wiju, Songchin, Ping-Yang and Shin-wi-ju.

The three most important places where business is done are Chemulpo, Seoul, the capital, and Fusan. An agent in one of these places usually can canvass the rest of the country with a fair degree of thoroughness. The United States maintains a Consulate-General at Seoul.

Climate is no Bar. The climate is healthful. In the central and northern parts, the winters are severe. Snow covers the ground from the middle of December to the end of February. Spring and autumn are the best seasons for visits, although no great inconvenience is experienced at any time in places with railroad connections.

Natives use their own language to a large extent, but Japanese is spoken at all trade centers and recent Japanese immigration has been in such volume that this language promises before long to become dominant. English is in current use among a limited part of the population.

Wealth in the Soil. Agriculture is the principal industry. A hundred million acres of land are under cultivation. The fertile plains yield ginseng, rice, the soya bean, wheat, tobacco, millet, Indian corn, cotton, hemp, vegetables and fruit. Exports of ginseng total more than $900,000 a year. Its roots are used as medicine, tonic and stimulant. Its production has been made a government monopoly. Rice exports exceed $30,000,000 a year and beans $4,750,000. The government grew 70,000,000 pounds of cotton in 1919, chiefly to supply Japan, an increase of 100% in six years. It is estimated that 1,280,000 acres in the country are available for this crop, the export value of which now exceeds $3,000,000.

Rulers Aid Development. Every encouragement is being given to agriculture and other industry. At Suwon is a school of agriculture and forestry. Seoul has an industrial training school with courses in dyeing, weaving, ceramics, metal work, applied chemistry and civil engineering; also a commercial training school. Under government encouragement there have been great advances in sericulture. In 1919, 605,000 bushels of cocoons were produced, as compared with 230,000 bushels in 1914, and it is estimated the 1920 production will reach 700,000 bushels. Exports in cocoons exceed $2,500,000 in value.

Industry in Infancy. All manufactures are in the infant stage. The government has subsidized weaving and matting industries, paper manufacture and bamboo works. The old manufactures of Korea are virtually extinct. Japanese residents are responsible for the establishment of industries in rice cleaning, tobacco manufacture, brick making, sake brewing and the manufacture of electricity and gas.

State Aids Mining. To develop mining the government has exempted mining machinery from import duties and mining products from duties on exports. Several American and British firms are engaged in this industry. The chief mineral products are gold, black lead, iron and coal. Gold exports are valued at more than $3,000,000. The iron output is about 70,000 tons and that of coal 80,000 tons. There are mines, also, of lead, tin, copper, antimony, mercury, zinc, manganese and sulphur. Fish in the waters surrounding Chosen are plentiful and exports of fish exceed $4,000,000. Nearly half of the peninsula is forest land, vast tracts of which never have been worked.

New Roads Building. Before the annexation of Chosen, scant attention had been paid to roads. Travelers used the horse and sedan chairs. Merchandise was transported by porters, oxen and pack horses. The first steam railway, from Chemulpo to Seoul, was built by an American, and the equipment was ordered from the United States. The track was American gauge. When the road was extended by the Japanese, the American gauge still was used, and when the South Manchurian Railway was linked up with this line the gauge was continued. In consequence, the bulk of the equipment always has

been ordered from the United States. The railway system now embraces 1,100 miles, and this is being extended. A trunk line runs north and south, with branches east and west.

Little Red Tape. Ordinarily passports are not needed by travelers from countries having treaty relations with Japan. The usual customs examinations are required at treaty ports.

Sell Large Importers. Trade is largely in Japanese and Chinese hands, though there are numerous English concerns and a few American. The foreign manufacturer sells to the importing houses which distribute through traveling salesmen or local representatives, to the smaller dealers and bazaar trade. Native stores are found only in the large towns. The necessaries of life are sold at fairs held six times a month at some eight hundred places. The people assemble at these fairs, each taking something to be bartered for the things they need.

Banking Facilities. The Bank of Chosen is dominant. It issues notes and has fourteen branches throughout the country. In addition are found the Dai-ichi Ginko, a branch of the Hong Kong and Shanghai Banking Corporation, and several smaller banks. The government has established agricultural and industrial banks which make long term loans to advance industry. The Oriental Colonization Company furnishes funds to develop farming and fishing industries.

Use Japanese Currency. Japanese money circulates everywhere. No Chinese coins are permitted, but other foreign money and bank notes may be exchanged for Japanese currency at certain banks. The principal coins are gold pieces of 5, 10 and 20 yen, silver of 10, 20 and 50 sen; nickel of 5 sen, and bronze of 1 sen and 5 rin. To a restricted extent bills of exchange and checks are used as currency.

Limits on Advertising. If local advertising is undertaken, agencies in Tokyo may be employed. News and trade papers of Osaka and Tokyo have a larger sale in Chosen than the few journals. "The Seoul Press," a semi-official organ, is the only paper published in English.

Change in Tariffs. The consular regulations are the same as those for Japan. The low tariff schedules which have been in force since before the annexation are to be superseded this August (1920), when the customs regulations in force in Japan will be applied throughout Chosen.

Trade Possibilities in Formosa (Taiwan)

DESPITE THE humanizing effect of Japanese control for a quarter of a century, Formosa remains a strange mixture of civilization and savagery. In the interior still are wild tribes of bloodthirsty head-hunters. More peaceful tribes, influenced by the customs and manners of Japanese and Chinese with whom they have come in contact, engage in hunting, fishing and agriculture. The island, ninety miles off the coast of the Chinese Province of Fukien, is 235 miles long, 90 miles in breadth and has an area of 13,841 square miles. A mountain range with peaks as high as 15,000 feet traverses its length. The population is estimated at more than 3,000,000, of which some 60,000 are Japanese and other foreigners. The official language is Japanese, as are the laws and consular and customs regulations.

Trade is Growing. General purchasing power has increased greatly since the island came under Japanese rule. The principal trade is with Japan, though China and the United States each get a share. The demand for American goods is limited largely to such things as Japan cannot supply. These include machinery and railway material, kerosene, paraffine wax, sugar mills, sewing machines, watches, lumber, telephones, photographic supplies, condensed milk, patent medicines, canned goods, tobacco, perfumes and rubber footwear.

Places for Agencies. Kelung, a city of 38,000, is the principal port. Other business towns are Taihoku, Tamsui, Takow, Anping and Taiwan. If a local agent is necessary, he usually is established at one of these points. Some firms depend on a representative in Amoy, China, to cover the island.

Climate Changeful. Climate conditions vary greatly. November is the wettest month in Kelung and the dryest in Taihoku. October and November, perhaps, are the

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best seasons for a visit. Heavy rains make the northern part of the island unpleasantly cold in winter, and in summer the humidity makes the heat oppressive and enervating. During the rainy season, there is danger of malaria.

Travel Facilities. Nagasaki is forty-eight hours away, and steamship communication with this and other ports in Japan is frequent. Coasting services are maintained along routes on the east and west sides of the islands.

Good Road System. More than 2,000 miles of excellent roads have been completed under Japanese direction. In the interior districts virtually the only roads are narrow, wandering paths. There are approximately 450 miles of railroad, including a line running the length of the island from Takow, in the southwest, to Kelung, in the northeast.

Monopoly in Camphor. Until the discovery of the process of making synthetic camphor, Formosa supplied virtually the entire world. Today it has the only extensive supply of natural camphor. The government monopolized this trade in 1899. The camphor output has exceeded 7,000,000 pounds a year, with an even larger amount of camphor oil, and plans have been made to increase production by 4,000,000 pounds. Japan's exports $2,500,000 in camphor to the United States.

Tea and Sugar Culture. Agriculture, carried on principally by Chinese, is the chief industry. Tea is grown in the northern part. In the production of oolong, the favorite brand among Americans, Formosa has eclipsed China. In recent years the development of sugar production has received attention, and in the first six months of 1919, the manufactured output of the island was 294,500 tons. Other products include rice, millet, corn, wheat, barley, yams, sweet potatoes, indigo, hemp, jute, peanuts, flax and China-grass. The mountains are covered with forests in which are found the areca palm, the bamboo, the banyan and the betel nut tree.

Minerals Undeveloped. Soft coal is said to exist in sections covering two-thirds of the island. Gold in workable quantities also is present and sulphur in abundance is

found in the north. Silver, copper, iron, petroleum and natural gas are reported but have not been developed.

Strong English Firms. Trade is in the hands of large importers, chiefly Japanese, although there are some strong English and other European firms. These concerns distribute to retailers and the traders of the interior.

Banking Institutions. The Bank of Taiwan is the chief banking institution. In addition to a regular banking business, it issues notes for native circulation. The China and Southern Bank, a Sino-Japanese institution, recently was organized with headquarters in Taihoku.

Japanese Currency. Currency is the same as that of Japan. Formerly the legal silver currency, the gold yen of Japan and the so-called Yamsui (chipped) dollar, were in circulation. The Yamsui dollar now is refused by Japan. Many native Formosans, unable to read, objected to paper currency. Japan compromised by making the silver coins legal tender even after her own currency was on a gold basis.

Hong Kong—Clearing House of the Far East

THE BRITISH colony of Hong Kong is the great free port and transshipping center of the Orient. It is Europe's gateway into China. Kept open to the trade of all nations, its strategic position on all steamship routes between Europe and the Far East gives it rank as one of the greatest ports of the world. The stability of its government and the resultant safety of property have made it the focus of English trading effort with China and the islands and regions bordering on the waters of the South China and Yellow Seas.

Trade of $975,000,000. Hong Kong's importance as a receiving and re-shipping port is reflected in a trade which in 1919 totalled approximately $975,000,000. Before the war, its trade was largely British; more than half of all goods imported by China from Great Britain and her dependencies, and four-fifths of China's sales to them passed through the hands of Hong Kong merchants. In 1919, the United States imported through Hong Kong goods worth $21,458,500 and exported to that port shipments valued at $78,139,700, a total trade of $99,598,200. This figure is an increase of $34,214,000 over the total of the preceding year. On the 1919 showing, the United States is third in Hong Kong's trade, being ranked only by the British Empire and China. Japan (including Chosen) and French Indo-China were passed during the year. The port's export of home products and importations for domestic consumption are normally about $10,000,000 and $20,000,000 respectively, a year.

British since 1841. Hong Kong, an island off the mouth of Canton River, became fixed on the world's commercial map when China ceded it to Great Britain in 1841. Twenty years later the British obtained by cession the Kowloon Peninsula, on the mainland opposite, which includes the port and city of Kowloon. Since then, other land has been leased until now the colony controls 376 square miles of territory. The chief city of the colony is Victoria, with a population of 500,000, of which 8,000 are Europeans and Americans.

roducts in Demand. Hong Kong imported from the United States in 1919 illuminating and lubricating ls valued at $3,585,000; steel, iron and tin manufactures worth 2,444,000; leaf tobacco valued at $1,943,000; condensed milk at 334,000; aniline dyes at nearly $500,000 and wheat flour, $111,000. ther imports included machinery, cotton goods and yarn, coal, oolens, food products, lumber, teakwood, matches, soap, salt nd iron and other metals. Exports consist of rice, tea, tin, hides, sh, sugar, silk, cassia, preserved ginger, drugs, mats and rattan. ice is sent to Mexico, Central and South America, and to Cuba y way of the United States.

Vinter is Best Season. The best time to visit Hong Kong is from November to March, when it is pleasant nd cool. At other seasons the climate is trying to foreigners. During the summer, the heat, while seldom higher than 93 degrees, s monotonous, and the rainfall excessive.

Location for Agencies. Because of its stable political conditions and unexcelled transport facilities with oints in the Far East, including North China, Siam, Indo-China, Borneo, etc., many European firms establish their chief agencies n Hong Kong. Salesmen sent to canvass China will find it advantageous to include the port in their territory. As a center of distribution, it enjoys extraordinary facilities of transportation by ea. Its harbor, ten square miles in extent, is one of the best in he world. The Chinese coasting services and ships of the Australian, North American, South American and European routes, all make it a port of call or a base of operations.

Hinterland is Rich. Canton, 112 miles away, the chief administrative and commercial city in South China, is connected by rail with Kowloon, and a ferry service operates between Kowloon and Hong Kong. The hinterland of Hong Kong is little developed and is worthy of attention. The soil of the Canton delta grows three crops a year, and the products include bamboo, palm, indigo, sugar, tea, hemp and silk. Altogether, the territory contributory to Hong Kong and Canton contains between 30,000,000 and 40,000,000 people, and has an area equal to that of New England, New York, Pennsylvania, New Jersey, Virginia, Maryland and West Virginia combined.

Industries Fostered. The determination of the British to build up local industries has resulted in the establishment of significant manufactories along certain lines. Shipbuilding, the most prominent industry, is the main source of the prosperity of the colony as a whole. Next in importance come sugar refineries and rope factories, cotton and paper mills, saw mills, ice, glass, soap and cement works and plants for the making of bamboo and rattan ware. Native industries include fishing, glass blowing, carving in wood and ivory and gold beating.

Trading Conditions. The principal importers are English firms and various Europeans, including the Dutch. Of late an increasing number of American houses have established themselves. As a rule, business is done with these importing merchants who, through their compradors, work the retail merchants, bazaars, etc. The Japanese also are represented and are increasing their business direct with Chinese buyers. English is the official language of trade and commerce. A general knowledge of Chinese is valuable.

Banking Facilities. Besides Chinese banks, branches are maintained by the Hong Kong and Shanghai Banking Corporation, the Chartered Bank of India, Australia and China, the Mercantile Bank of India, Ltd., the International Banking Corporation (an American institution), the Yokohama Specie Bank, Bank of Taiwan and Netherlands Trading Society.

No Currency Problem. British gold and silver and Hong Kong and Mexican dollars are recognized as legal tender. The circulation of coins from Japan, French Indo-China and Singapore has been prohibited. Silver pieces of 50, 20, 10 and 5 cents, and one-cent copper coins are accepted in amounts not exceeding $2. The paper money in circulation consists of notes issued by the banks mentioned.

Developing Trade in Manchuria

THERE IS no longer a Manchu population of any consequence except along the northern reaches of the Sungari and the Ussuri rivers. The Chinese and the Japanese have invaded the country, and both, in their own ways, are seeking control. The Chinese have entered from the provinces of Chihli and Shantung and now constitute more than half the population. They are industrious, sober and intelligent. The Japanese control in large part both the postal and railway facilities. Through colonization, they are seeking to extend their influence.

U. S. Goods in Demand. American goods, nevertheless, are in demand. In the construction of new railroad lines, American rolling stock and rails have been used extensively. Our principal exports to Manchuria include machinery, building materials, clothing, kerosene, tobacco, glass, electrical equipment and supplies. The chief exports of the country are soya beans, peas, bean oil, bean cake, coal, flour, furs and timber.

Places for Agencies. Manchuria has a population of more than 20,000,000 in an area of 363,700 square miles. The principal city is Dairen, a free port. Newchwang is an important and rapidly growing city. Mukden, Harbin and Antung are other centers. Kirin is a manufacturing and industrial city as well as an entrepot for trade. Agencies usually are established at Mukden, the junction point of the Trans-Siberian Railway and the lines to China and Chosen.

Best Travel Season. Manchuria lies in the same latitude as our great Northwest. The climate is healthful and dry. In the north, the rivers are icebound six months of the year. The country can be visited best from April to October.

Good Transportation. A system of railways comprising nearly 2,000 miles connects the important towns. The Chinese Eastern Railway, part of the Trans-Siberian system, extends 960 miles across country. The South Manchuria Railway

connects Harbin, in the north, with Dairen, 700 miles to the southward. From Mukden a line runs to Tientsin, thus furnishing connections with Peking and Central China.

Steamship service is maintained between Vladivostok, Fusan, Dairen and Yingkow and important points in Japan and Middle and South China. The Liao, Yalu, Sungari, Amur and Ussuri rivers are navigable for long distances. There are a few highways, but no good roads. The Manchurians prefer their "winter roads" on the frozen rivers. A two-wheeled native cart is the only vehicle except the jinrikisha, introduced by the Chinese.

A Babel of Tongues. Manchu is spoken only by a few old families of the better class. In northern Manchuria, Russian is the prevailing foreign language. In the south, Japanese and English and the Chinese dialect known as Mandarin, or Pekingese, are current.

Amazing Resources. Manchuria's natural resources are untapped; her industries stand on the eve of a great development. Among the chief pursuits are agriculture and stock raising. If her fertile and extensive plains were fully cultivated, they could be made to support a population of 200,000,000, but vast stretches are untouched by the farmer's hand. The leading agricultural products are soya beans, wheat and kaoliang, a species of millet. Rice growing, carried on chiefly by Japanese, has reached the proportions of a 3,000,000-bushel crop. Other products are silk, honey, ginseng and vegetables. Cattle are raised for milk and meat, and horses, mules and donkeys for farming, riding and draught purposes. Many sections of northern Manchuria are heavily wooded. The forests provide occupation for some 50,000 woodmen.

Coal and Minerals. The country is rich in metals and minerals. Gold is found in each of the three provinces, most abundantly near Tsitsihar. Silver, copper, lead, iron, sulphur, lime, gypsum and soda also are found. The Fushun coal field is one of the richest in the world, with seams from 100 to 120 feet thick. The chief industries are salt, bean-oil and bean-cake manufacture, flour milling, distilling, rope making, weaving and the making of bricks, tiles and leather for local consumption. The trade in furs, skins and hides amounts to $15,000,000 a year.

Trade Conditions. The bulk of the business at import centers is carried on by large import houses. Many of these are European, but of late there has been an increasing number of Japanese. The Japanese enjoy reduced rates on railways and steamship lines from Japan. In 1918, more than 100 Japanese and Sino-Japanese stock companies were organized in southern Manchuria to provide banking facilities and finance industries, import and export undertakings, shipping, warehousing, etc. The Japanese have a large population of their own people to take their products. A reduction of one-third in the customs tariff on all goods entering Manchuria through Antung from Chosen also operates in their favor. This rate applies to the goods of any nation, but nearly all English and American goods to Manchuria are routed through the Chinese ports of Shanghai and Tientsin.

Parcel Post Useful. Facilities accorded by the parcel post agreement between the United States and Japan afford opportunity for a moderate mail-order trade to American catalogue houses and exporters who cater to small customers. Japan has post-offices in twenty-nine towns, and international money orders may be obtained.

The importer supplies the dealer and trader in the smaller towns. The exclusive sale of merchandise sometimes is given to one large firm which distributes through its branches. The tendency now is to maintain a personal representative or selling agent, who disposes of the product through as many channels as he may find practicable.

Banking Facilities. The Bank of Chosen has ten branches in Manchuria. It issues currency notes. The Banque Russo-Asiatique and the Yokohama Specie Bank are other important foreign institutions. There are Provincial Banks in Mukden, Kirin and Tsitsihar. The Chinese Imperial Government Bank has branches at Newchwang and other cities, and the Bank of Territorial Development is influential. The Asia Banking Corporation (American) has a branch at Harbin.

Currency is Varied. Russian money is used in the Russian railway zone, Japanese in the Japanese zone and Chinese currency everywhere. The old Russian currency (prewar issue) consists of bank notes (in denominations of 1, 3, 5, 10,

25, 50, 100, 500 and 1,000 rubles, all greatly depreciated), silver pieces and copper pieces. Of Japanese currency, notes of the Bank of Japan and subsidiary silver and copper pieces are most commonly found. The Chinese coins conform to the reformed system of coinage as fixed by the coinage law of May, 1910. It is worth remembering that Chinese silver has a purchase and exchange value more than double that of the period before the war.

Chiefs Trade for Mongol Tribes

MONGOLIA, INCLUDING Sinkiang or Chinese Turkestan, has an area of 1,367,600 square miles and a population variously estimated at from 2,000,000 to 5,000,000. Its central part is a broad plateau which includes the Desert of Gobi. To the westward is a higher plateau, stretching on to Siberia, with soil of dubious quality. Eastern or Inner Mongolia is fertile and well supplied with forests.

Commerce by Caravan. Until November 2, 1919, Mongolia had been semi-independent for several years, but on that date a mandate from Peking cancelled its autonomy. In its entire expanse there is no railroad. Cart and camel caravans are the vehicles of trade and travel. Urga, the capital and principal commercial center, is 600 miles from a Chinese railroad connection at Kalgan, in Chihli. Camel caravans, crossing the Desert of Gobi, require four weeks to make the journey between these cities. The government is considering the construction of railway lines to open up Mongolia.

Tribes Live in Tents. The country is roamed by nomad tribes, governed by hoshuns or chiefs. The people live in tents and are little given to agriculture. For the most part, they are Mongols or Kalmuks. They are cheerful, good natured and hospitable. From their flocks they obtain food and covering for their tents. Their requirements are few. About one-third of the population consists of lamas, or monks, who have the inherited right to exact tithes from every flock owner. So long as this condition obtains, the purchasing power of the people is likely to remain small.

The Chinese have begun to invade the country in numbers. In consequence, so far as the stable trade population is concerned,

conditions are much like those in China. Large tracts in Eastern Mongolia are being reclaimed by these settlers through irrigation. Upon the Chinese, doubtless, will depend the development of Mongolia's wealth, but this must await the advent of capital.

Outlet through China. European firms which do business in Mongolia depend on importers in the northern cities of China and Manchuria. A fair volume of business is carried on at Kalgan, the center of virtually all export trade, 125 miles by rail northwest of Peking.

Two Trade Languages. Since all trade is conducted through Chinese frontier towns, the principal commercial language is Chinese, although Russian is spoken generally near the Siberian frontier. Climatic conditions differ little from those of Manchuria and Siberia.

Native Needs Simple. In commerce, the natives want cotton goods, cloth, brick tea, oil, flour, candles, small ironware, arms and ammunition. They are satisfied with cheap and inferior goods. The principal article of export is wool, which gives rise to wool-washing industries. Rice has been exported in quantity to Siberia. Of the fur products, those in greatest demand are the marmot, fox, squirrel and sable. Other exports include livestock, timber, salt and saltpeter, gold dust, iron and tobacco.

World Beef Reserve. In the Chinese colonies in the southeast, indigo, cotton, rice and cereals are raised. Elsewhere, little is done in agriculture. There are virtually no manufactures. In the years to come Mongolia will be one of the world's great reserves for beef and other meats. It is estimated that there are 20,000,000 cattle in this territory, 75,000,000 sheep, 25,000,000 horses and 12,000,000 camels. Gold to the amount of 60,000 ounces a year is produced in Outer Mongolia. In Inner Mongolia, there are more than 350 mines of gold, silver, copper, iron and coal.

Chiefs are Traders. The export business is conducted by foreign traders, who have offices at Urga, Uliassutai, Kobdo and Kiakhta. Most of the trade affairs of the natives are

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looked after by the princes or tribal chiefs. The custom is to enter into contracts, in some of which advance payments to the chiefs are required. The chiefs then collect from their subjects the articles contracted for, and make delivery. The contracts may be guaranteed by the provincial government at Urga. It is said that no contract thus guaranteed ever has been broken.

Banking Difficult. Banking is difficult. The Mongolian Bank has an office at Urga, and the Bank of China has a branch there. Russian banks have ceased to do business. The Bank of Chosen operates in Inner Mongolia.

No Standard Money. There is no regular currency. In 1915, Mongolia arranged to have its own currency coined in the Russian mint and issued by the Siberian Trading Bank. It was to equal the Russian ruble in value. The revolution in Russia upset this plan. Chinese and Russian silver currency and paper notes are in circulation at reduced values. Chinese lump silver also is used. In the past, trading has been largely by barter, Chinese brick tea being a favorite medium of exchange.

Tibet No Longer "The Hidden Land"

TIBET, WITH an area of 463,200 square miles, is the largest "closed" country in the world. Perched on a huge plateau 16,000 feet in altitude, it is one of the poorest countries from an economic standpoint outside the Polar Circles. It is surrounded wholly by Chinese and British territory, and for several years Great Britain has enjoyed treaties which have given her favorable trading rights.

Cut off from World. Most European goods which reach Tibet pass through India, though some arrive by way of Central China and Mongolia. The chief imports are tea, cotton goods, silk, sugar, tobacco, satins, leather, chinaware, hardware, drugs, flour, indigo and rice. The exports include wool, furs, gold dust, gems, borax, nitre, salt and livestock.

Lamas Rule People. While China always has insisted that Tibet is Chinese territory, the country is virtually independent of Peking authority. Nearly one-fifth of the male

population is made up of lamas, or monks, who subsist without labor and are a charge upon the rest of the people. This great faction is inclined to stifle movements that would develop the country or enlighten the people.

Traffic by Caravan. Direct relations between Tibet and the United States are not practicable, although since 1904 trading has been conducted at Yatung, Gartok and Gyangtze. Goods from America usually are sent to Calcutta and forwarded by caravan. Convenient means of transportation are lacking. The narrow roads through the mountain passes are best traveled by the mountain yak. These animals cannot carry heavy or breakable loads; they travel at half the speed of horses. Camels and horses also are used as beasts of burden.

Five Travel Routes. Five distinct routes lead out of Tibet. One joins Lassa with Sining and Lanchow, in China. Another connects Lassa with Tasienlu, China, which enjoys a monopoly of the tea trade with Tibet. A third route connects Lassa with Likiang, in Yunnan; a fourth, Lassa with India, and the fifth leads from Lassa to Leh. Lassa is the capital and center of the country and the home of the Grand Lama.

Use Border Dialects. For purposes of trade, the languages needed are those used on the borders of India and China, where the trading centers are. The Tibetan language is unlike either Hindustani or Chinese.

Few Native Products. Tibet's great staple production is wool. Large herds of goats and yaks roam the plains, and the dry air makes the wool unusually soft and fine. Pastoral pursuits and cattle raising have led to the introduction of wool spinning, weaving and knitting. These, with the making of household articles, pottery and metal work, are the only industries. The chief agricultural products are barley, wheat and other cereals, cabbage, potatoes, turnips and peas. There is no tea production, although Tibetans consume more than 11,000,000 pounds annually.

Wealth of Minerals. Gold, silver, mercury, copper, iron, coal, salt and borax, lapis lazuli and other precious stones, are found. Mining methods are neither scientific nor

modern. In the east and southeast are large forests, still almost untouched by the woodsman's hand.

Field is Limited. Only such American products as are adapted to the simple wants of the natives can be introduced. The climate is healthful because of the pure, dry atmosphere. There is little rainfall and travel at any season is practicable. The commercial traveler must obtain permission to enter the country from the British Foreign Department at Simla. He will not be allowed to go north of the authorized trade marts. The chief approach to Gyangtze and Yatung is through the semi-independent state of Sikkim, permission to enter which can be obtained from the British political agent of the place. Transport and coolie service are costly and the journey involves discomfort and even danger.

Domestic trade in Tibet is almost entirely in the hands of the government, the monks and a few foreign traders. It is conducted in bazaars, in stalls on busy streets or at annual fairs near the villages or monasteries. The state and the monasteries collect goods and send them out by caravans to the various trading points. The caravans return with foreign goods which the authorities sell when they can make the largest profit.

Currency and Banking. The coin in use is the silver tangka, worth two-fifths of a rupee. For smaller currency, the tangka is cut, as required, into three or four pieces. Chinese silver ingots and the Anglo-Indian rupee circulate in some districts at a depreciated value. Chinese bricks of tea, weighing four and a half pounds, which always are on hand, pass current as money at their market value. There are no banks, but facilities for traders are provided by Cox & Co., at Calcutta.

Gaining Headway in Burma

BURMA, LAND of the white elephant and the white umbrella, is part of India, but not kin with it. It is one of the wealthiest and most prosperous of the Indian provinces; its exports total nearly $10 per capita, as compared with $2.50 for the rest of British India. Immense natural resources, as yet only partly exploited, promise well for her future foreign trade. She has great forests, fertile soil, extensive mineral deposits, navigable streams and a system of railroads linking the important cities.

Trade Outlook Good. The total exterior trade of Burma amounts to $175,000,000 a year, of which $75,000,000 is with other provinces of British India. The share of the United States in this commerce is relatively small, and yet, as in the case of most other nations in the Far East, it received a marked impetus during the war, and now is in favorable position for development.

Gain Firm Foothold. In certain lines, indeed, this country has wrested leadership away from Great Britain itself. In 1914, the United Kingdom furnished more than half of the iron and steel imports into Burma, with Belgium, the United States, Germany and India following in that order. In the fiscal year ending in 1918, the United States furnished nearly 45% of this trade, to a value of nearly $1,500,000, the United Kingdom 35%, and India the rest. In the same year, 55% of Burma's new sewing machines came from the United States, as compared with 38% from the United Kingdom. Most of the mining machinery, typewriters and machine tools were imported from this country, which furnished 50% of the steam engines and boilers to enter Burma, nearly 50% of all electrical machinery, 65% of the rice mill machinery and 90% of the oil crushing machinery.

Chances Overlooked. America furnishes most of Burma's condensed milk and a large part of the grain and patent foods. On the other hand, in some lines in which Americans are equipped to compete with almost any nation, our share is negligible. Cotton piece goods, the largest item on Burma's import

list, for example, amounted in 1918 to $13,374,000, and cotton twist and yarn to $3,495,000 more; of these, $40,000 represented American manufactures. Of Burma's exports, the United States takes teak amounting in value to $325,000, $195,000 in rice, $163,000 worth of paraffin wax, and smaller amounts in beans, hides, cutch, rubber and lac.

Natives Lack Energy. The Burmese are among the happiest peoples of the world. Their love for pleasure precludes sustained labor. They are content to live from day to day, and are unbusinesslike and spendthrift. They depend on other countries for many things which might be produced at home. They live principally on rice, fish, fresh fruit and vegetables, and wear garments of cotton.

Winter Best Season. The easternmost and largest province of India, Burma lies northward of the Malay Peninsula, and west of Siam. It includes Lower Burma, a narrow strip along the Bay of Bengal; Upper Burma, and the North and South Shan States which border on China, French Indo-China and Siam. There are three seasons in Upper Burma, the dry or cool, the hot and the rainy season. In the cool season, from November to February, there are frosts. The hot season is from March to April, and the rainy from May to October. The best time to visit this part of the country is from November to March. In Lower Burma, there are two seasons, the wet and dry. From May to July, it rains every day.

Places for Agencies. Rangoon, a city of 300,000, is the chief port and commercial center. More than 88% of the commerce of the country passes through it, and American manufacturers may well confine themselves to it in establishing an agency. It is the chief source of supply in foreign goods for Burma, and for a large part of West China as well. There is business also at Mandalay (population 150,000), about 400 miles up the Irrawaddy, which usually is handled from Rangoon.

How to Reach Country. Burma is somewhat removed from the main channels of water travel, and no important land route passes through it. Rangoon is easily reached from India and the Malay Peninsula. A traveler from Europe can

go by steamship to Bombay and thence by rail to Calcutta, where steamships will take him to Rangoon. Another route is by steamship to Colombo, Ceylon, and thence to Rangoon.

Good Transportation. There are about 1,600 miles of railway, all of meter gauge and operated by the Burma Railways Company. The principal trunk line system is from Rangoon, through Mandalay to Myitkyina, 624 miles. It has several branches to small trading centers, east and west. Another line runs from Rangoon to Prome, on the Irrawaddy. Additional transportation service is furnished by the Irrawaddy steamers and the coastwise service. The Irrawaddy is navigable for large steam craft to Mandalay, and for smaller vessels to near the Chinese frontier. The Salwin, in eastern Burma, is navigable for a short distance. Hundreds of smaller streams become highways of commerce in the rainy season. Roads are numerous and some furnish excellent highways for bullock carts which, with the pack mule, constitute the chief means of inland transportation.

Rice Exports Large. The fertility of the soil is increased greatly by the overflow of the rivers. Two-thirds of the people are engaged in agriculture. The farmer leases his land from the state. Rice is the principal crop and constitutes 60% of the country's exports, or more than $60,000,000 in value. This year, 10,384,150 acres were planted in rice. Other crops are cotton, beans, sesame, millet, food grains, oil-seeds, peanuts, condiment and spices, tobacco, fruits and vegetables.

Teak Exports Valuable. The forests contain many valuable woods, chief among them the teak, of which quantities to the value of $6,000,000 are exported annually. Cutch, obtained by boiling chips of a tree of the acacia family, also has an important commercial value. Other timber products include the oil tree, the ironwood, bamboo, betel nut, cocoanut, palmyra and rubber.

Minerals Undeveloped. Burma is probably as rich as the Malay Peninsula in mineral products, but development has not advanced so far. Virtually all the oil output of India comes from this province, and its exports of petroleum products run to $20,000,000 a year. Wolfram and tin are found

in the mountains separating the Tenasserim coast from Siam and in the northward extension of these mountains in the South Shan States. The Bawdwin mine, operated with modern machinery by the Burma Mines, Ltd., produces lead, zinc and silver; the silver is largely used for minting into the Indian rupee. Gold also is mined, though not extensively, and considerable coal is to be had. Jade, rubies, sapphires and other precious stones are found in quantity. The ruby production exceeds $250,000 a year.

Weaving of cotton and silk is carried on generally in the homes, but manufacturing is undeveloped. Considerable pottery is produced, and many natives are skilled workers in gold and iron.

Outsiders Rule Trade. The native population exceeds 12,000,000, to which must be added some 25,000 Europeans and Eurasians. Foreign trade is controlled chiefly by the English, though the Chinese, Japanese and other nationalities are represented. Internal trade is in the hands of natives. The general practice is to sell to importing houses which supply the retailers through brokers who are responsible to the importers. The country lacks capital and the native trader works largely on credit. Usury is prevalent, with rates of from 1% to 6% a month.

Must Change Methods. If the American merchants are to retain their war-time trade, it seems certain they must grant longer credits. During the war, the demand for American goods was so great that selling effort hardly was necessary. American exporters have been asking for cash with order, or part cash with the order and the balance as per irrevocable confirmed banker's credit. This practice is unsatisfactory to the importer now that the war is over. Under pre-war conditions, goods were paid for nearly always on 60 days London draft or on receipt of goods at Rangoon. The demand for American products could be stimulated by advertising, cutting prices fine, granting greater financial facilities and sending goods on consignment.

English Tongue Used. The Burmese language is distinct from that of surrounding territory. English is the commercial language generally used. Unlike French Indo-China, there is no general suspension of business during the hot part of the day. The offices usually are open from 10 o'clock in the morning until 5 o'clock in the afternoon.

Marks and Banking. The Indian Merchandise Marks Act applies as in other British Indian territory (see chapter on India). Banking connections are good, and payment can be arranged for New York when desired. Branches of the following institutions do a banking business in Rangoon: The Yokohama Specie Bank, the Hong Kong and Shanghai Banking Corporation, the Chartered Bank of India, Australia and China, the Alliance Bank of Simla, the Netherlands Trading Society and Messrs. Thomas Cook & Son. (For currency used and consular and customs regulations, see the chapter on India.)

Ceylon's Trade Built on Rubber and Tea

AMERICA'S ENTRANCE into the trade of Ceylon was facilitated by extensive purchases in two principal Ceylonese products, crude rubber and tea. The imports of tea from the island exceed $5,000,000; in rubber, our purchases have approached $20,000,000 in one year. We also take considerable quantities of cocoa, desiccated cocoanut, spices and drugstuffs.

Trade Path is Oiled. Our chief export to Ceylon is kerosene. The establishment of American oil paved the way for the introduction of other articles. Ceylon is a large buyer of manufactured products. Of the $6,000,000 worth of cotton goods imported, the United States enjoys a fair share. Good roads have made the automobile popular, and at the end of 1919, there were 3,500 passenger cars, 200 motor trucks and 1,200 motorcycles on the island, most of which were made in America.

A Specialty Market. Other products from our factories which have found a market include haberdashery, leather goods, sewing machines, typewriters, fountain pens, clocks and watches, lamps, pianos, phonographs, hardware, medical preparations, toilet requisites, textiles, apparel and printing and wrapping paper.

Tourist Season Best. Ceylon is a crown colony of the British Empire, sixty miles southwest of India. It is connected with the mainland by Adam's Bridge over Palk Strait. Its affairs are administered by a governor, assisted by an executive and a legislative council. Over each of its nine districts is

an agent. It is 25,300 square miles in area, and has a population of about 5,000,000. The northern part is comparatively level, with low hills; in the south are mountains with high peaks.

Foreigners find it unhealthful in the lowlands although in the mountains the air usually is cool, and at night not infrequently cold. In some parts of Ceylon, there is only one season, a humid and oppressive heat, with occasional heavy showers. The average annual temperature is from 70 to 90 degrees. The best time to visit Ceylon is from October to March, the tourist season, when trade is most active.

English is Language. English is the language of commerce, but it is an asset to know the dialects of the Singhalese and the Tamils, the chief native tribes, who make up about 92% of the population. The better classes have houses built on the European pattern; the poorer people live in homes that are little more than sheds and are primitively furnished. In a district in the eastern part of the island there dwell 5,000 Veddas, the aboriginal inhabitants, who represent, perhaps, the most primitive type of man to be found in the world. Other inhabitants are Chinese, Eurasians and Europeans.

Colombo Only Port. Colombo, the principal city, is a crossroads for the world's traffic. It ranks seventh among all ports in the amount of tonnage that enters and departs from it. It is virtually the only city with which the American manufacturer or exporter need concern himself. It is here that agencies are established and the principal exporters are. It is the only port of entry, and the seat of the United States consulate. Colombo is a regular port of call for most of the steamship lines to and from Calcutta, Singapore and the ports of China.

There are 700 miles of railways in the island, and these, with many good roads, furnish excellent transportation facilities.

Should Ship Direct. Though the island is not a part of British India, it may be worked in connection with the mainland. It is not economical to distribute to Ceylon through an agency in India, as double duties would have to be paid. American machinery or hardware, for instance, if shipped to Colombo from an Indian warehouse, would pay a customs tax at both ports. Shipments should be sent direct.

Natural Resources. Ceylon is agricultural. Six-sevenths of the inhabitants live in the country, and more than one-fourth of the island is under cultivation. Rice in its two forms—paddy and the dry grain—is the most important product; it is a staple food of the people. Agricultural methods are inefficient and old-fashioned, but the soil yields more than is needed for home consumption.

The principal exports are tea, rubber, products of the cocoanut palm, cinnamon, areca nuts and citronelle oil. More than 400,000 hands are employed in the tea growing industry, and the island has exported nearly 200,000 pounds of tea in a year. Valuable forests have been cut down to make room for tea plantations. The pearl fisheries near Manar are conducted by the government, and the manufacture of salt also is a government monopoly. Six hundred plumbago mines and pits yield an output worth several million dollars. Rubies, sapphires, moonstones, topaz and other precious stones are found in limited quantities.

Conditions of Trade. American exporters may canvass the principal importers direct, or may select one importing house to handle and distribute their goods. The principal importers of Colombo are English concerns, but there are some native houses which are now inclined to extend their direct operations. The importer orders through indent houses which indemnify him in case of bad delivery. He would like to deal direct with Americans and do away with middlemen, but transactions with unscrupulous shippers have made him wary.

Native or Indian merchants buy from the importers and sell to small shopkeepers in Colombo, Kandy and interior towns and villages. The importer generally extends from one to four months credit to the merchants, according to their standing. The sale of goods frequently is helped by stamping the name of the dealer on them in Tamil or Singhalese.

Deposit on Samples. Agents sent to Ceylon should carry a full line of samples. The traveler taking samples and patterns not for sale must make a complete declaration to the customs officials, and must deposit the amount of duty chargeable against the goods. This will be refunded to him if the goods are taken out within six months. If any of the goods are sold, seven-eighths of the duty chargeable upon the rest is refunded when the

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goods are taken away. Agents carrying samples for sale must pay full duty or give security for payment. A drawback of seven-eighths of this amount is allowed if the goods are taken out of the island again within six months.

Want C. I. F. Prices. Importers want price quotations on a c. i. f. basis because of the fluctuation of freight rates. They cannot, without cabling to New York, know what prices f. o. b. New York will mean to them by the time shipments arrive. Much of the business of Colombo is in the hands of "chettys," or merchants who make advances to traders. In agricultural undertakings, co-operative credit societies are taking an increasingly important part. There are more than 100 of these organizations which promote agricultural interests. Several lend money to their members at from 6% to 12%.

Many Banks in Island. The leading banks are the Mercantile Bank, the Hong Kong and Shanghai Banking Corporation, the Bank of Madras, National Bank of India, Ltd., Chartered Bank of India, Australia and China, the Bank of Colombo, Ceylon Savings Bank and the Post Office Savings Bank.

Rupee Currency Unit. The Indian silver rupee is the unit of currency, but it is divided into 100 cents instead of annas and pice, as in India. Subsidiary coins are the copper cent and half-cent pieces, the nickel 5-cent piece and the silver 10-cent, 25-cent and 50-cent pieces. The Ceylon government issues notes in denominations of 5, 10, 100 and 1,000 rupees. The English sovereign is legal tender.

Merchandise Marks. All articles of foreign origin must bear marks showing the country of production or manufacture in letters as large as any other letters on the wrappings and repeated wherever the other words appear. The Ceylon Merchandise Marks Ordinance accepts "Made in U. S. A." as a sufficient indication of the country of origin. Trade-marks may be registered under prescribed regulations; when registered, they are entitled to full protection. Goods which infringe upon a registered trade-mark and goods not marked with the name of the country of origin are liable to seizure.

Tariff Requirements. No consular documents are required. The regulations are the same as those for India. (See chapter on India.) Ceylon has its own tariff system; the Chamber of Commerce supplies the values on which duties are levied. Values of imports and exports are declared and are subject to scrutiny; wholesale values at places of import and export are required.

Afghans Trade Through Neighbors

NEXT TO Tibet, Afghanistan is the largest "closed" country in the world. High in the western Himalayas, it is a buffer state between British India to the west and south and Russia on the north. It is rough and mountainous and some of its peaks rise 24,000 feet. Communication with the outside world is over mountain passes 8,000 and 12,000 feet in altitude.

Cheapness a Factor. Trade opportunities are principally for cheap goods. No one but the Amir and members of his court can afford expensive things. Most of the $4,500,000 imports are from India and China. Either directly or through re-shipping, India supplies the country with cotton goods, tea, sugar, tobacco, hardware, leather and indigo. In return, she receives drugs and spices, fruits, vegetables, grain, dried peas, wool, silk, cattle, hides, carpets, rugs, felt, silk articles and tobacco. American articles most commonly in demand are sewing machines, kerosene, locks, watches and clocks.

A Primitive People. Afghanistan is an absolute monarchy of which the Amir is head. Until the hostilities of 1919, the ruler received a subsidy from Great Britain and the direction of the country's foreign relations were under British control. By the recent treaty of peace, these conditions ceased to exist. There are six provinces, each under a governor. Some tribes still are more or less independent of the Amir. Most of the 6,000,000 population are Afghans, a race physically well developed and warlike. In the arts of living, they are less advanced than their neighbors in India. Among their virtues are those of prudence, frugality, faithfulness and bravery. The private code of an eye for an eye and a tooth for a tooth prevails.

Climate is Healthful. The climate is generally healthful and dry, with temperature that varies according to the altitude. Rainfall is scanty and for agricultural purposes irrigation is used.

Nation's Resources. The soil is fertile and usually yields two crops a year, the products including cotton, wheat, barley, peas, rice, millet, corn, sugar, almonds, beans and tobacco. Fruits, berries and the castor oil plant are abundant. Asafœtida gum is exported in quantities to India. The mineral resources are supposed to be rich but are not developed. Iron, lead, sulphur and gold are mined on a small scale. Extensive deposits of coal have been found in the north, precious stones in the northeast and copper, zinc, gypsum and nitre at various places. In Kabul, the capital, are an ordnance factory, a government mint, and canning, candle and leather factories. The rugs of Afghanistan are beautiful examples of native handicraft. Other industries are the production of silks, felt and sheepskin coats.

Deal Through India. As most goods destined for Afghanistan go from India, canvassing of the country usually is left to Indian houses. Karachi, in India, is the national outlet not only for Afghanistan, but also for Baluchistan and all northwest India. Kabul, Kandahar and Herat are commercial centers. Herat is near the Persian boundary, and Kandahar close to the border of Baluchistan.

Traffic by Caravan. Merchandise usually is carried on camels or ponies; the rough country makes wheeled vehicles impossible. The principal route is through the Khyber Pass, the great gateway of India, which has been fortified by the British. The pass is open every Tuesday and Friday except in the hot season when it is available to trade on Friday only. In the morning, caravans going into Afghanistan file through the pass, and in the afternoon caravans outward bound. By military order, all traffic ends at nightfall. There are no railroads. A good road, 315 miles long, connects Kandahar and Kabul.

English Tongue Used. For trade, the English language has first place. Persian is spoken by a large part of the people, though the common native language is Pushtu.

The primitive method of barter and exchange is used. In narrow, crowded streets customers sit by the foreign merchant and haggle with him over prices.

Business Handicaps. The expense of direct representation for American goods is great, and the inconveniences numerous. The best way to enter the trade is through the bazaars of Indian towns which lie on the trade routes to Afghanistan, or through negotiations with commercial agents of the Afghan government in Karachi, Bombay or Peshawar. The commercial traveler first must obtain permission from the Amir to enter Afghanistan, and then from the Government of India. When this is given, he is informed that he goes at his own risk.

Cash Basis Wisest. It is wise to conduct business on a cash-in-advance basis. All orders should be put in writing and signed by the buyer. The American manufacturer or exporter should adapt his goods to the market, though this process may have its limitations. The story is told of an Afghan nobleman who bought an American grand piano and then cut off its legs that he might play it squatting on the floor. The use of a significant trade-mark is important; the native likes to buy an article bearing a familiar and attractive mark.

Coins in Circulation. Copper, silver and gold coins circulate. The Kabul silver rupee is about half the value of the Indian rupee. The Russian ruble is boycotted.

Duties Are Heavy. No duty is levied on goods for the Amir or for the government. Duties on other goods sometimes are excessive, due to arbitrary exchange values. Many heavy duties and monopolies have been removed in recent years, with a consequent expansion of trade. In general, the problem of documentation is similar to that for India. (See chapter on India.)

Old Clothes Are Money in Baluchistan

THE TRIBES of Baluchistan are too primitive for extensive commercial development at the present time. The country, of 134,650 square miles, has a population of some 800,000. The

principal races are the Brahui, Pathan and Baluch. Some 1,500 Hindus live under the protection of the tribes and carry on the country's trade. The main divisions of the country are British Baluchistan, which is administered by a Chief Commissioner under the Governor General of India; the Agency Territories and the native states of Khelat and Las Bela, governed by native rulers under the control of British political agents. The country is bounded by Persia on the west, Afghanistan on the north, India on the east and the Arabian Sea to the southward.

Trade Needs Limited. First consideration in the sale of any goods is the price. The standard of living is low. There has been no large market for American articles, although kerosene, hardware, lanterns and motor cars are sold. The principal imports are Indian piece goods, food, grains, fruit, ghee, sheep, horses and ponies, canned goods, sugar, tea and metal ware; the exports, wool, hides, dried fruits, madder and tobacco. The demands of the natives are limited. Their dwellings are mud huts and black blanket tents. The family lives on one side of the habitation, the herds on the other. Permanent dwellings are found only in the most highly developed regions and where needed for protection. Home furnishings usually are limited to a few felt blankets and skins, wooden bowls, earthen pots and stone griddles.

Old Clothes Currency. Canvassing of Baluchistan often is left to a local agent appointed at Karachi. Karachi merchants buy woolen coats—short coats, frock coats, overcoats, any kind of coats—for the hill country trade of the Northwest Provinces and Baluchistan, where in winter the weather often is cold. Secondhand clothing even is used as a medium of exchange. The farmers of Baluchistan sell dried fruits in Karachi, taking old clothes in payment.

Routes and Transport. Quetta, near the terminus of the Sindh-Pishu Railway, is the chief market and commercial capital. There are more than 500 miles of railroad, serving the principal cities, and additional roads are under construction. The highways between important centers are in good condition, comprising more than 1,000 miles of macadam roads and 2,000 miles of path and dirt roadways.

Two Good Seasons. By visiting the country in the fall or spring, the traveler avoids the extremes of heat and cold. Rainfall always is uncertain and limited.

Natural Resources. The cultivated area is small. Products are barley, cotton, millet, wheat, rice, potatoes, indigo, maize and fruits. Dates are raised on a commercial scale in Panjgur. Numerous camels, oxen, horses, cows and donkeys are raised. The mountains yield coal in quantities, gold, silver, chromite, iron, lead, asbestos, sulphite of iron and sulphite of aluminum. Some evidences of petroleum have been discovered. The manufactures include flour, ice, leather work, pottery, matting and natural dyes. In Quetta, rosewater and attar of roses are made from the common Persian rose. On the coast line there have been successful experiments in sericulture. A patent fuel is made successfully from coal dust. The natives weave blankets, rugs and belts.

Trading Conditions. Virtually the same conditions as were outlined for Afghanistan apply in the distribution of goods. The currency system is the same as that of India, and the regulations covering documents identical with the Indian regulations.

Trade Information. Information regarding trade conditions can be obtained by addressing the Honorable the Agent to the Governor General, Quetta, Baluchistan, or the Honorary Secretary, MacMahon Museum, Quetta, Baluchistan. Catalogues may be sent to both addresses for distribution.

Siamese Are Good Buyers

SIAM'S PURCHASES of foreign goods have risen in the last few years to more than $4.75 per capita. This means that the 8,000,000 Siamese individually spend nearly two and a half times as much money for imported necessities and novelties as the natives of India. Her comparative affluence is due in large degree to two products, rice and teak, though she has a wealth of other resources. In the fiscal year 1918–1919, the country exported articles valued at $60,000,000, of which rice constituted nearly $49,000,000 and teak more than $2,000,000. Tin and rubber are other important articles in the export list. Her importations in that year were valued at $38,144,000.

Good Field Waiting. The United States exported to Siam in the calendar year 1919 goods worth $1,938,000, or 5% of the Siamese total; our imports were only $224,000 or four-tenths of 1% of Siam's foreign output. Our leading exports to Siam include cigarettes—of which we sent $281,070 worth in 1919; electrical goods, machinery, metal manufactures, oil, tools and motor cars. Siam's purchases of oil from the United States exceed $250,000 a year, or about 20% of her total oil importations. The country needs coal, saws, axes, tools of all kinds, knives, forks and spoons, scissors, enameled ware, cooking utensils, knives and razors. Most of her imports are from the United Kingdom.

Rule is Progressive. Siam is the only remaining independent country in southeast Asia. It lies between the Indian Province of Burma on the west, and French Indo-China on the east. Its area of 240,000 square miles for the most part is well watered. It is an absolute monarchy, ruled by a king who is assisted by a cabinet. The political régime is enlightened and progressive. It is friendly to Great Britain, and the government has a British financial adviser. Suits brought by foreigners against Siamese are heard in an international court. The Siamese constitute about 2,500,000 of the population. There are also more than 1,500,000 Chinese, 1,350,000 Laotians, half a million Cambodians and Annamese, and some 750,000 Malays.

Race Characteristics. The natives are warm hearted, good-tempered and easily content. They live a casual life and lack initiative. They are superstitious and take a lively interest in spirits of earth, air and water. In their favored climate, six weeks of work on the land yields a year's subsistence. The people never have learned the meaning of industrial competition, and in consequence, their commerce, wealth and industry have passed largely into the hands of Chinese. The Chinese are the laborers, artificers, retail dealers, gardeners and bankers and constitute most of the business part of the population.

Bangkok Trade Center. Bangkok, with 650,000 population, is the center of Siamese trade, and the only port of size. The United States consular office is there and it is the only city which Americans need consider in establishing local agencies. The importers are largely Chinese and British; the retailers chiefly natives. Some Siamese firms, which are growing in importance, make direct importations. Not infrequently, the sale of merchandise is given to one of these concerns, which becomes responsible for its distribution.

Routes of Travel. Bangkok is twenty-five miles from the mouth of the River Menam Chow Phya. The usual route to the city is from Singapore, by steamer or rail, though several shipping lines carry cargo direct. There are also steamship connections with Hong Kong, direct or via Swatow, a coastal service between Bangkok and the ports of French Indo-China, and occasional sailings to Java. Customs officials examine passports and luggage before ship passengers are permitted to land.

Good Railway System. There are more than 1,500 miles of railway in Siam, connecting the principal centers. Most of the lines are operated by the state, which buys all its railway material abroad. Bangkok alone possesses macadamized roads; in other parts, modern highways are lacking.

Winter Dry Season. The dry season, from November to January, is the best for travel. July and August are the wettest and hottest months. At times, the humidity is trying, and the climate is not considered healthful for persons from the temperate zones. The rainfall in some sections is excessive.

Speak English Tongue. Siamese is the language in current use. The educated population speaks English, which is taught in the government schools at Bangkok.

Rice is Chief Crop. Agriculture is largely in a primitive stage. Exportations of rice normally exceed 1,000,000 tons, though the government has been exercising control over this trade recently to prevent outside demands denuding the home market and forcing up prices. There are fifty rice mills in Bangkok and ten elsewhere in the country, most of them owned by Chinese. Rubber planting is a comparatively new but a promising industry. Crude rubber exports through Bangkok are about 200,000 pounds a year. Pepper cultivation has been largely in the hands of Chinese. The betel nut is grown everywhere but nowhere meets the local demand for it.

Forests of Teak. The greater part of Upper Siam is a dense forest. Here grow the trees of teak of which Siam is the world's greatest producer. In teak plantations, the trees grow to a height of 60 feet in fifteen years, with a girth of 19 inches; in the natural forests, some of the trees are from 100 to 200 years old and are 24 inches or more in girth. The United States normally uses 1,000,000 feet of teak a year. The forests are under an English conservator and nearly all the teak cutting is done by British firms under government concessions. Besides teak, the forests contain oak, pine, rosewood and ebony.

Tin Deposits Rich. General mineral resources are not extensive, but the output of tin is 1,000 tons a month. The potential production of tungsten ore is unlimited; the ore is widely diffused throughout the Siamese part of the Malay Peninsula and in northern Siam. The output was about 800 tons a year during the war, but with the coming of peace, production dropped. Gold is found in several regions, as are wolfram, iron, zinc, manganese, antimony, rubies and sapphires.

Banking—Some Days. There is one Siamese bank—the Commercial Bank of Siam. There also are agencies and branches of the Hong Kong and Shanghai Banking Corporation, the Chartered Bank of India, Australia and China and the Banque de l'Indo-Chine, all at Bangkok. Here, as in

several Far Eastern countries, the banks observe many holidays. Travelers usually find it worth while to keep track of these days, as not infrequently they have missed steamers and suffered delay because when they went to bank they found it closed.

Guaranteed Currency. The currency has been on a gold basis since 1908. The government guarantees the value of paper and silver. The unit is the silver tical (called baht) weighing 15 grams .900 fine. The following coins also are used: the salung (¼ tical) and 2-salung pieces, of silver; the 5-satang and 10-satang pieces, nickel, and the satang, bronze. The satang is one-hundredth part of a tical which, in normal times, is valued at approximately $.37 American.

Advertising Limited. Advertising can be placed in the Bangkok papers, one of which has an English edition of 500 copies and a Siamese edition of 3,500. A Government Gazette is published in Siamese, and there are three Siamese and two Chinese daily newspapers.

Trade-Marks Upheld. The Siamese courts have upheld the rights of trade-marks, but this ruling, which was to have gone into effect in 1914, is still suspended.

Documentation. No consular documents are required. In addition to import and export duties, a duty is levied on various articles in inland transit. Invoices must specify numbers, quantities, net weights and value of goods for the customs entry. Net weight should be given either in pounds or kilograms. A 3% ad valorem duty is assessed on all imports except liquors, including all cost to port of entry. Export duties vary, but there are no exemptions except on articles for the exporter's personal use. There is no discrimination in favor of or against any country. The bill of lading should be made out for Bangkok, and freight should be paid to that port. When shipping documents are made out for points requiring transshipment instead of to Bangkok, it involves delay and expense. (Consult also a standard exporters' manual.)

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French Indo-China Beckons

THE WAR opened French Indo-China as a field for American trade. Cut off from France during the conflict, the country turned chiefly to Japan and the United States to satisfy its wants. Conditions are favorable for Americans to hold the trade thus begun. Business men in Indo-China want an expansion of direct trade relations with this country, and recently the French colonial government sent a representative to urge that American firms enter the field more extensively.

New Methods Needed. Progress may be expedited by the introduction of direct sales where possible and elimination of delays in forwarding shipments. The Indo-Chinese dealer wants extended credits, say 60 to 90 days, such as were granted by Europeans before the war. American exporters have been insisting upon irrevocable letters of credit, which are equivalent to cash with the order, two or three months before the goods are delivered to the purchaser.

Three Trade Divisions. French Indo-China borders on China, Burma and Siam. It includes the states of Cochin-China, which has a governor at its head, and Tonkin, Annam, Cambodia and Laos, each a protectorate under a superior resident. There is also the territory of Kwang Tochou Wan, leased from China. Altogether, the area embraced is 270,000 square miles. For commercial purposes, the country may be considered in three economic divisions: the territory tributary to Saigon, one of the greatest rice regions in the world; central Annam, which is chiefly agricultural, and the territory tributary to Haiphong, which is devoted to agriculture, manufacturing and mining.

An Energetic People. The Annamese constitute four-fifths of the 15,500,000 population. They are patient, energetic and industrious. Like the Chinese, they consider it a misfortune to die far from home, and in consequence, the native resources have been extensively developed. They have shown a special aptitude for mechanical work and craftsmanship. Thou-

sands of them, drafted as motor truck drivers for the French army during the war, proved highly efficient as well as brave in action.

A Developed Market. The total annual trade of French Indo-China exceeds $100,000,000. Saigon exports more than 1,300,000 tons of rice. Other exports of importance are hides, fish, pepper, cotton, maize, zinc, cement, lacquer oil, silk and silk goods, cinnamon, castor beans, cocoanut and peanut oil; coffee, coal, tin, wolfram and rubber.

American products for which there is an active demand include automobiles, canned goods, petroleum products and flour. New lines of products which might be introduced profitably are agricultural implements, piece goods and rice milling machinery.

Places for Agencies. Local agents, when it is found necessary to use them, usually are stationed in Saigon, the chief port, which handles three-fifths of the foreign trade. All the exports of Cochin-China pass through Saigon, and the products of Cambodia—chiefly rice, cattle, cotton and pepper—find an outlet to it by river. Haiphong, on the Gulf of Tonkin, is the seaport of Hanoi; it is an industrial center and the seat of the French government. It taps the Red River basin, and the commerce of Tonkin, Annam, northern Laos and part of Yunnan province, in China, is largely dependent upon it for outlet. Other cities are Pnompenh, capital and home of the king of Cambodia; Tourane, a port in Annam, and Cholon, the site of most of the country's rice mills. An American consul is stationed at Saigon.

Best Time for Visit. The climate in the south is tropical all the year round. The north has a dry winter season, from October to April, which is the most healthful time to visit the country.

On Steamship Routes. Saigon is easy of access from Singapore and Hong Kong. The traveler also can reach French Indo-China overland from China or Siam. An important steamship line from Marseilles to Yokohama touches at Indo-Chinese ports. In the absence of a direct steamship connection with the United States, transshipments now have to be made at Yokohama, Kobe or Hong Kong. Because of the difficulties of correspondence, prices should be quoted c. i. f. Saigon, on through

bills of lading. If this is impracticable, prices should be c. i. f. Hong Kong or Manila.

Railways Adequate. There are 820 miles of railway lines connecting the principal cities, which give the country adequate service for its present needs. A line now in construction will connect Hanoi with Bangkok, in Siam. The rivers and their tributaries (the Red River in the north and the Mekong in the south) are navigable.

Resources Extensive. The principal occupation is agriculture, the chief product rice. Of 11,641,000 acres in cultivation in Cochin-China, 4,320,000 are in rice. The annual rice production is 1,900,000 tons, and rice and its products make up half of the country's exports. Saigon is the principal rice port of the world. Cotton to the extent of nearly 2,000,000 bales is raised, of which less than 100,000 bales is exported. Coal deposits in Tonkin are said to be rich but are little developed. Tin and tungsten are found in Tonkin, and zinc exports amount to $1,000,000 a year. Other minerals and metals include salt, gold, silver, copper, iron, lead, mercury, lignite and antimony.

Industries Limited. Manufactures are stable but limited. Hides, leather and paper are prepared for export. Sugar refining is growing. Other industries are rice-milling, lumbering, distilling, the manufacture of cotton and silk thread and fabrics, tanning, mat making, and match, briquette, cement, lime and salt manufacturing. Embroideries of gold and silver represent distinctive attempts to create a permanent native art.

Pictures Sell Goods. The commercial language is French; that commonly used by the natives is Annamese. All correspondence and descriptive matter should be in French. Newpaper advertising will reach few outside the foreign element—comprising some 14,000 persons. A large percentage of the Annamese are illiterate, and this gives to illustrated advertising a special value. Highly colored billboard posters in French and Annamese are used effectively. This form of advertising is in the hands of a Saigon bill-posting agency, the address of which can be obtained from the Bureau of Foreign and Domestic Commerce at Washington. Literature and booklets in French and Annamese characters should be sent ahead of goods or with them.

French Predominate. The importing business is mainly in the hands of French houses, although there are some Swiss and other European firms. The retailers are Chinese, Annamese and Hindus. For this reason, the comprador system flourishes. The compradors are responsible to the importing houses for the value of goods which they distribute to retailers and traders in the interior. Americans may grant exclusive sale of their goods to a large importer in Saigon, who obligates himself to distribute to the rest of the country.

International Banks. The principal banks are the Banque de l'Indo-Chine, operating in Saigon, Haiphong, Hanoi, Pnompenh and Tourane; and branches of the Hong Kong and Shanghai Banking Corporation and the Chartered Bank of India, Australia and China.

Currency of Its Own. The currency unit is the piastre, a silver coin of 100 cents. The fractional coins are 50, 20 and 10-cent pieces of silver, a one-cent bronze piece and a copper coin called sapek. The paper currency consists of notes issued by the Banque de l'Indo-Chine in denominations of 1, 5, 20 and 100 piastres.

Favored by Tariff. Import regulations are the same as for France. The tariff system is complex, with maximum, minimum and special rates, depending upon the weight of shipments. The United States enjoys a minimum rate on certain articles, and expects the tariff treatment accorded to the most favored nations. To avoid the maximum rate on certain goods, a certificate of origin is required. Regulations regarding consular invoices, inspection certificates and bills of lading are too detailed to be included here. (Consult a standard exporters' manual before making shipments.)

The Malay Peninsula—Home of Many Races

FROM THE extreme southeast corner of Asia, there extends southward towards the islands of the East Indies, the long, tenuous neck of land known as the Malay Peninsula. More than 800 miles of mountain, jungle and low-lying plain it stretches, parting the Indian Ocean from the China Sea, never much more than 200 miles in width and at places narrowing to forty-five. From its southern tip one may gaze across the Strait of Malacca and see the shipping of all nations pass, bound to the uttermost parts of the earth, for there is the gateway of all commerce that passes by sea from Europe to the Far East or from the land Columbus sought to the continent whence he sailed. And within the limited confines of this bit of land are crowded in strange medley peoples of all races—brown, yellow, black and white, a polyglot community of many aims and desires, many customs and many beliefs, which make the Peninsula truly the "melting pot" of Asia.

Asia's "Melting Pot." There are only a couple of million people all told in the 90,000 square miles of the Peninsula, but among them are represented, in addition to the brown native Malayan, his race brothers, the Hindu and the Indian Tamil; the Chinese and Japanese of the yellow north, the fairer skinned natives of Europe and America, and the varying shades and colors of blood mixtures of these. The Malayan is indolent. He holds life cheaply and takes it easily. The conception of wealth gained by his own industry holds no appeal to him. Of initiative, commercial enterprise, he has little. He is quite content to watch the Chinaman and the native of India build his roads and railroads, work his mines, raise cattle and reap from the soil.

Storehouse of Wealth. Yet, there is wealth to be had. In the last few years, the Peninsula has become the greatest producer of rubber in the world. In the mountains are deposits of tin which supply half the needs of the earth. The soil produces crops and fruits which are sent to all parts of the globe. In return, the country buys manufactured cloths, clothing, metal

manufactures, motor cars, machinery and tools, structural materials, provisions, chemicals, paints, oils and many other articles.

A Billion in Trade. Altogether, the Peninsula's trade was somewhere near $1,000,000,000 in 1919, or more than double its value before the war. Americans took nearly $146,000,000 worth of its products, or about one-third of the total, but our exports to the Peninsula totalled only $12,000,000. In other words, we bought from the Straits Settlements and their neighbors twelve times as much as we sold to them—this notwithstanding that merchants of British Malaya have invited more extensive trade effort by us among them.

Political Divisions. Politically, the Peninsula is divided into the Straits Settlements, the Federated Malay States and the non-federated Malay States. The Straits Settlements comprise Singapore, Penang, Malacca, the Province of Wellesley, the Dindings, Labuan and the Cocos Islands. These constitute a crown colony. The Federated Malay States are Perak, Selangor, Negri Sembilan and Pahang, and the non-federated governments Johore, Trengganu, Kelantan, Kedah and Perlis. The native States are under British protection. The population of the Straits Settlements is in the neighborhood of 800,000, and of the native States something more than 1,200,000.

Trade with America. Our chief trade rivals are Great Britain, the ever-plodding Chinese, and, more recently, the Japanese. Our greatest item of export to the Straits Settlements in 1919 was cigarettes, the value of which exceeded $1,000,000. Of condensed milk, we sent $909,000 worth, and in wire nails $350,000. We also sent building materials, oil, motor cars, motorcycles and tires, sewing machines, ironware, electrical and other machinery. American consuls report an opportunity to expand our trade in these articles and an inviting market for thread, cotton goods, footwear, table and cooking utensils, hardware, clocks, canned goods, paints, soaps, medicines and chemicals.

Singapore Great Port. All the ports are free ports. Singapore, on an island off the southern end of the peninsula, is the chief center of trade for the country and for part of the East Indies. Seventy-five per cent of the imports and exports

of the Peninsula pass through its harbor. More than fifty steamship lines make it a port of call. Its trade, transit, passing and actual, exceeds 20,000,000 tons a year. Of its 300,000 population not more than 6,000 are white. Business hours among Americans and Europeans usually are from 10 o'clock to 3. Penang, 500 miles north of Singapore, has railway connection with that city. Its commercial importance is due to its trade with Sumatra and its proximity to the rubber growing territory. Most of its imports from America are transshipped at Hong Kong and Singapore. Malacca, 150 miles north of Singapore, on the west coast, has a trade of several million dollars a year. United States consulates are at Singapore and Penang.

Place for Agencies. Agencies usually are established in Singapore. The mercantile element consists of two types of houses, the great wholesale import and export establishments, chiefly British, and the retailers, largely Chinese. The large British concerns constitute the first factor in introducing most lines of merchandise. Usually they have branches or close connections in Penang, Kuala Lumpur and Ipoh; other places are canvassed from Singapore. In some cases, these houses also distribute in Siam and Sumatra.

Trading Conditions. American shippers should quote prices c. i. f. Singapore, in Straits currency. As a rule, the import houses carry stocks only of staple lines or for which there is an established demand. It is not unusual for an import house to hold the exclusive agencies for several competing lines.

In Penang, the import business is carried on largely by British and Chinese, who "indent," or order from abroad goods which their retail customers desire.

Chinese Rule Trade. The Chinese are controlling factors in trade and are influential in every way except politically. Their retailers are keen and usually drive a close bargain. One Chinese may have several stores. Often a successful merchant in a large town finances several small dealers in the kampongs, or native villages, thus controlling their trade. The Chinese retail system reaches every part of the country and every branch of trade except machinery. In Singapore there are several well-managed British retail institutions, and one in Penang. The automobile equipment of the colony is largely American.

Advertising Valuable. While good results may be obtained by corresponding with merchants whose names can be obtained from the Bureau of Foreign and Domestic Commerce, visits from American commercial travelers are more effective in establishing relations. Plenty of printed and illustrated matter should be sent. This may be supplemented by judicious advertising in local newspapers and by the use of posters and circulars. Dealers expect the manufacturer to bear at least part of the advertising expense.

Summer is Perpetual. May is the hottest month; January has the heaviest rainfall. The climate, tempered by sea breezes, is unusually mild, although Singapore is only 80 miles north of the equator. There are no definite changes of seasons; the trees are green throughout the year. One season is as good as another for a business visit.

Fair Railway Service. Travelers from the northeast and south land at Singapore; those from the west at Penang. The Peninsula has more than 800 miles of railways, and the passenger service is fairly good. Singapore has excellent roads and the highways in the western part of the Federated Malay States are well adapted to travel.

Passports Needed. No passports are required for the seaports, but they may be demanded in the interior. English suffices for ordinary travel and for relations with all important British and Chinese houses. A knowledge of the Malayan tongue is desirable.

World Rubber Market. The chief products are rubber and tin. The rubber output grew from 3,340 tons in 1909 to 133,340 tons in 1918, or nearly two-thirds of the world's production. In the first six months of 1919, the Peninsula exported more than 130,000 tons of rubber. Singapore is the principal rubber market in the world, and as the demand is increasing, prosperity for the Peninsula seems assured. Patchouli, the dried leaf of which is used in making perfumery, is cultivated in large areas. Agriculture, conducted chiefly by Chinese, produces rice, coffee, sugar, indigo, sago, cocoanut, tapioca, spices, tobacco, tea,

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fruits and vegetables. The Federated Malay States in 1917 exported 47,163,000 pounds of copra.

Tin Output Large. Tin is found in many parts of the peninsula, chiefly on the west coast. The monthly exports average 3,250 tons. Purchases of tin by the United States from the Straits Settlements in 1919 totalled $33,023,881. American dredging machinery has been used successfully in tin mining, and is being installed. Other mineral products are gold, silver, wolfram and coal. The forests yield oils, canes, resins and valuable timber. Manufactures include vehicles, tools, bamboo, furniture, biscuits and cocoanut oil.

Many Branch Banks. Few of the great foreign banks lack representation in Singapore. The most prominent institutions are branches of the International Banking Corporation, the Yokohama Specie Bank, the Hong Kong and Shanghai Banking Corporation, the Mercantile Bank of India, the Banque de l'Indo-Chine, the Bank of Taiwan, the Chartered Bank of India, Australia and China and the Banque Russo-Asiatique.

Currency Guaranteed. The silver Straits dollar (worth $.58 American) circulates freely; its value is guaranteed by the British Government. The dollar, half-dollar and British sovereign are legal tender. The Straits currency has silver coins in denominations of 1 dollar, 50 cents, 10 cents and 5 cents; also copper coins of 1 cent, one-half cent and one-quarter cent. The government issues paper notes, and the paper currency of the Chartered Bank of India, Australia and China and of the Hong Kong and Shanghai Banking Corporation are legal tender.

No Trade Formalities. No consular documents are required; there are no restrictions as to shipping marks and weights, and few import duties are charged. For points to which through bills of lading cannot be obtained, shipments should be made to the nearest port of call which provides a desirable route to destination.

Java, "Treasure Chest" of the Indies

JAVA HAS been called "The Treasure Chest of the Netherlands." It is the trade center of the Dutch East India Islands, the largest producer and the largest consumer of foreign goods. Its population, now 30,000,000, has doubled in the last thirty years.

Rich in Agriculture. Pre-eminently the island is agricultural. It has nearly 200 sugar factories, half a hundred tobacco plantations, 400 coffee estates and 200 estates in rubber. Coffee is the most valuable crop. There are nearly 300 tea estates in western Java. Fifty per cent of the arable land is under rice cultivation, and there are 161 rice mills, owned chiefly by Chinese. The sugar acreage is 400,000; production has exceeded 1,700,000 long tons, and exports 1,500,000 tons.

Export Trade Large. The island has an important trade with the United States. Her shipments of tea to this country increased from 700,000 pounds in 1916 to 26,000,000 pounds in 1919—more than 3,600% in three years; our purchases last year were 26% of the total tea exports. She has produced most of the kapok used by upholsterers and mattress makers in this country, a traffic of $1,000,000 a year. Her exports in cinchona bark, cocoa beans, tapioca, coffee, india-rubber, sugar, tobacco and teak also have been heavy.

Trade Growth Rapid. Java's imports from the United States grew from $3,000,000 in 1914 to $19,054,000 in 1917. American iron and steel received in 1917 were greater in value than arrived from Holland before the war. Machinery imports from the United States grew from $20,100 in 1900 to $2,474,312 in 1917, exceeding the imports from any other country. Java is one of the heaviest importers of cotton goods in the world.

Climate Healthful. The island is a bountiful garden with fertile soil and luxuriant vegetation. Marble, lime, kaolin, copper and phosphates are found in moderate amounts.

The climate is healthful if precautions are taken in eating and drinking and in protection against insects. From April to October is perpetual sunshine; from October to April, it rains every day.

Chinese Tradesmen. The native Javanese is not, as a rule, industrious. He is docile, truthful, straightforward and sober, and his politeness and deference are traditional. With their energy and ability, the Chinese gradually are becoming the chief owners of the land. They produce cheaply and sell at low prices, and thus are able to enter extensively into competition with other foreign traders.

Places for Agencies. Batavia, the capital, with a population of 188,500, is the chief city. Most important houses are there. Often exclusive rights are given to one firm, which carries stock and looks after distribution throughout the archipelago. Representatives of foreign firms usually establish headquarters in that city, and canvass the islands from there. Sourabaya, Bandoeng and Samarang are important centers. United States consular offices are in Batavia and Sourabaya.

Transportation Good. Sea transportation between Java and the rest of the archipelago is entirely adequate and land communication is excellent. The railway system includes more than 1,500 miles of standard gauge lines and some lines of narrow gauge. The roadbed is well laid and in places permits of a speed of 80 miles an hour. Good highways extend all over the island, furnishing a spur to the motor car trade in which United States manufacturers enjoy a virtual monopoly. There is an excellent system of posts, telegraph and telephone.

Trade Conditions. In Java, as in the other islands, the commercial traveler will have his chief relations with Dutch and English importing firms. These sell to the Chinese, who almost exclusively control the retail trade. The Dutch, English, Chinese and Malay languages are spoken.

Trade Information. Island merchants have organized a Commercial Union to advance trade and compile import and shipping statistics. There are chambers of commerce in Batavia and Sourabaya. The Department of Commerce and industry publishes a weekly periodical devoted to agriculture,

industry and promotion of export trade. For banking, credit, general transportation and other facilities, details are given in the chapter on the Dutch East Indies.

Sumatra's Undeveloped Wealth

SUMATRA OCCUPIES a strategic position in the Far East. Westernmost of the Dutch East Indies, it guards the entry from the Indian Ocean to the South China Sea and the ports of Indo-China, China and Japan. It is 1,050 miles long, with an area of 161,610 square miles, and has a population estimated at 7,000,000. As rich in agricultural possibilities as Java, and richer in mineral resources, its development has lagged.

Plantations Rich. The East Coast is the most highly developed section. From this region alone there were exported in the first six months of 1919, 40,500,000 pounds of rubber, 28,500,000 pounds of salted and dried fish, 22,000,000 pounds of tobacco, 7,500,000 pounds of coffee, 6,500,000 pounds of copra, 4,700,000 pounds of tea and 2,500,000 pounds of asphalt. Americans have $10,000,000 invested in East Coast rubber plantations. The rubber crop of this region is valued at $22,000,000. Exports of the island exceed $45,000,000. The United States buys heavily of rubber, tobacco and tea, and supplies about 10% of the island's import trade. Among the imports from America are iron and steel manufactures, provisions, motor cars, chemicals, patent medicines, toilet articles and household utensils.

Places for Agencies. Business firms often give the Sumatra field to an agency in Batavia, which canvasses the island. In most cases, the importers sell to Chinese dealers from their main houses in Batavia. Padang, on the West Coast, 572 miles from Batavia, is the most important port and trading center. Palembang is the chief commercial center for the East Coast. Medan, the capital, and Belawan, its port, are in the northeast.

Transport Methods. In the interior, trade is carried on largely by river boat. In the remote districts there are no roads, although along the coast and connecting the larger towns are good highways. In several sections an automobile service is maintained which connects with steamship lines.

The island has about 500 miles of railways. It also has steamship service with the other islands and with Singapore.

Climate is Warm. In the lowlands, the climate is unhealthful for persons from the temperate zone, but the higher sections are pleasant and habitable. The mean temperature varies little, ranging from 77 to 81 degrees.

Natural Resources. Upon agriculture depends the immediate future of Sumatra. Among the leading products are tobacco, rice, coffee, Peruvian bark and sugar cane. The extensive forests yield oak, teak, camphor, gums and resins, rubber, pepper, areca-nut, lacquer and cinnamon. The subsoil is rich with treasures—gold, silver, tin, lead, copper, sulphur, petroleum, naphtha, alum, saltpeter and magnetite. Billiton island, off the southeast coast, is one of the world's great sources of tin. Industries are extremely primitive.

Trade Conditions. Dutch and English houses with branches in the principal ports do most of the importing. These firms sell to the Chinese retailers. For a description of general trade conditions, see the chapter on the Dutch East Indies.

Borneo Awaits Trade Awakening

BORNEO, WITH an area of 293,500 miles, is divided between English and Dutch influence. Commerce in British North Borneo and in the neighboring states of Brunei and Sarawak, is under the control of British trading interests. The regions belonging to Holland are in the south and comprise two-thirds of the island.

Sparsely Inhabited. The island is largely unexplored. It lies east of Sumatra, north of Java and southwest of the Philippines. It is four times as large as Java, but its population is only 1,500,000. Settlements of Europeans, Arabs, Chinese and Malays along the coast are centers through which the products of the island are exported. One-seventh of the population is Chinese; there are few whites. The native population includes the Bajaus, the Dusuns and the Muruts. They have no written language, no cities, no wealth. There are also the head hunting Dyaks of the interior who are inclined to be hostile to the foreigner.

Climate Unhealthful. Rainfall is heaviest from October to February, and least in April and May. The climate is warm and moist, and the lowlands are not considered healthful. Temperatures range from 70 to 90 degrees.

Import Trade Small. The market for European and American goods is confined mostly to the Chinese and other foreigners. Only the civilized Malays use imported cotton goods. The leading imports, in addition to cotton piece goods, trade goods and novelties, are rice and tobacco.

Few Trade Centers. In British Borneo, the principal port is Sandakan, which is easily reached from Singapore. The chief commercial houses are established here and in Jesselton. In Dutch Borneo, the leading town is Bandjermassin, in the southeast. Several large houses import direct. European firms rely upon agents in Batavia or Singapore to canvass these regions. The retailers are chiefly Chinese.

Routes of Approach. North Borneo can be approached direct from Singapore or by way of the Philippines. It is connected with the other islands of the group by the Royal Mail Steamship boats. A railway runs from Jesselton, 127 miles to Malalap. In Dutch Borneo, there is a good road from Bandjermassin to Samarinda and another to Sambas.

Rich in Resources. The trade of Borneo exceeds $50,000,000 a year, exports comprising more than 80% of the total. In British Borneo (including Brunei and Sarawak) are produced timber, coffee, rice, sago, cocoanuts, nutmegs, fruits, cinnamon, pepper, tobacco, sweet potatoes, tapioca, camphor, rattan, gambier, gutta-percha and rubber. The principal industries are agriculture, lumbering and mining. Mineral products include coal, iron, gold and mineral oils. Paraffin and benzine are shipped to Europe and the United States. In the Gomanton caves are found the white and black birds' nests formed from the saliva of swallows, which are sent to China. In Dutch Borneo, not more than one-fifth of the soil is cultivated. The agricultural products are rubber, copper, timber, gums, waxes and resins. The rich mineral resources include diamonds, gold, coal, silver, lead, copper, zinc, mercury, platinum, tin and antimony. The

petroleum industry is in the hands of one English concern and two Dutch companies.

Banking Facilities. The Chinese Commercial Bank and the Hong Kong and Shanghai Banking Corporation have agencies at Jesselton and Sandakan in British North Borneo. For suggestions regarding documentation, banking and credit, see the chapter on the Dutch East Indies. In British North Borneo, a passport is required for the interior.

Trade Building Slow in Celebes

CELEBES, WHICH is eastward from Borneo, has been called the "starfish island" because of four mountainous peninsulas, separated by bays and connected by an isthmus, which compose the greater part of its 69,000 square miles of territory. Its population, estimated at 2,500,000, is made up of several free native tribes. The white population numbers 2,400.

Trade Demand Light. So long as the natives resist foreign development of their resources the demand for goods will be small. The foreign commerce is about $12,500,000 a year. Imports include cotton yarn, knitted goods, rice, wheat, flour, coal, kerosene, matches, hardware, tobacco, medicines and gold and silver thread. The principal exports are spices, pepper, nutmegs and mace; copra, coffee, tea, rattan, hides, oils, pearls and bêche de mer.

Centers for Trade. Macassar, on the south coast, is the capital, principal city and seaport. Since 1848 it has been a free port, and it is one of the chief distributing centers in that part of the world. It has a population of 70,000 and is a modern city with good highways. The United States consular office is there. Menado, on the north coast, is the center of a region fertile in coffee, sugar cane, copra, rattan, spices and dammar. Donggala and Gorontalo are other trading centers.

Transport Facilities. Good roads lead from Menado to Amoerang and Tondano, and from Macassar to Menado. Steamship service is fairly regular. The government is planning an extensive system of railroads.

Soil is Fertile. The soil, if properly cultivated, would give an abundant yield. Fishing is an important calling and the exports of dried and salt fish are large. Copra production yields a large revenue. Various kinds of timber are found in quantity. Coffee and tea are grown throughout the island.

Rich in Minerals. Engineers recently reported the discovery of iron ore deposits estimated at 160,000,000 tons of a quality similar to that found in Cuba and the Philippines. This, with deposits of nickel and manganese, may provide a profitable market for American mining machinery.

Sea Tempers Heat. The climate is hot and less equable than in Java or Sumatra, but abundant rains and sea breezes temper the heat.

Dutch Control Trade. Business is almost entirely in the hands of Dutch importers who, as in Java, sell to Chinese retailers. General trade problems of the island are covered in the chapter on the Dutch East Indies.

Wealth of New Guinea Still Untouched

The island of New Guinea is divided between the British possessions in the east, and the Dutch territory in the west. Parts of the interior are unexplored. The island is sparsely populated by savage and semi-savage tribes, whose capacity to absorb foreign goods is almost negligible. Imports are limited to small quantities of cotton piece goods and American steel, iron and machinery. The exports include copra, copper, timber, sisal, hemp, gold, rubber and sandalwood. Pearl fishing and trade in bird of paradise plumage are of importance. The forests contain valuable timber. Discovery of extensive petroleum and metal deposits recently has been reported.

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Far Eastern Imports

This comparative table of foreign trade statistics should be read with proper allowance for the fact that a uniform basis of computation is lacking. Some of the figures given cover the calendar year; others are for the fiscal year. In a few countries, reports for the last year are not yet available, either because of the remoteness of those countries from the United States, or because of tardiness in compilation.

Into	*From*	*United States*	*Great Britain*	*China*	*Total*
Japan.....	1913	$61,204,180	$69,761,100	$30,511,519	$363,765,591
	1914	48,385,538	40,683,980	46,650,503	301,211,717
	1917	186,340,304	26,892,140	66,635,518	517,950,553
	1918	273,774,685	33,033,629	113,947,500	834,069,067
	1919	366,364,593	63,770,981	242,247,489	1,086,656,967
		United States	*Great Britain*	*Japan*	*Total*
Philippine Islands.	1913	$25,384,793	$5,086,038	$2,574,343	$53,312,786
	1914	27,304,275	4,107,849	3,633,642	48,588,653
	1917	38,140,152	2,961,236	8,434,139	65,797,031
	1918	52,975,672	3,065,146	7,863,165	98,599,212
	1919	70,310,262	2,540,753	9,278,090	118,640,000
China.....	1913	21,326,834	239,690,000	77,330,064	427,992,014
	1914	24,698,734	214,616,303	86,080,157	391,420,032
	1917	45,759,471	211,747,008	159,195,265	566,004,337
	1918	59,134,960	74,736,286	161,791,000	699,097,243
	1919	118,274,490	.....	298,589,200	.....
British India..	1913	15,108,956	321,365,924	14,936,707	584,465,452
	1914	15,625,195	310,877,005	15,507,913	507,951,461
	1917	33,599,396	295,666,845	42,000,000	480,839,549
	1918	40,392,458	235,730,787	101,261,145	476,346,150
	1919	67,505,528	225,870,040	58,439,365	495,828,520
Straits Settlements.....	1913	3,606,901	30,074,810	7,323,490	272,320,711
	1914	4,184,674	23,806,990	4,564,908	222,299,933
	1917	8,204,417	23,049,004	14,011,779	367,143,000
	1918	9,948,490	32,593,602	21,104,429	.....
	1919	12,134,540	.....	14,922,187	.....
Dutch East Indies.....	1913	3,151,693	31,552,730	2,514,343	176,000,000
	1914	3,676,895	2,575,956	.....	171,765,722
	1917	26,992,354	35,667,880	18,122,670	278,682,000
	1918	23,379,401	36,102,532	35,838,466	227,122,000
	1919	46,576,489	.....	29,677,427	.....
Siam.....	1913	485,058	6,586,304	1,075,656	27,927,667
	1914	836,870	4,932,374	777,339	33,906,566
	1917	1,051,586	6,079,415	1,103,814	33,582,000
	1918	1,577,122	7,688,136	3,038,485	34,947,853
	1919	1,937,977	.....	1,764,127	37,113,090

Far Eastern Exports

The outstanding feature of these tables is the remarkable growth of our foreign commerce. In 1913, our total foreign trade amounted in value to $4,278,892,383; in 1919, $11,826,556,919. Our exports to Asia leaped from $115,056,620 in 1913 to $703,667,109 in 1919. In the same years, our imports from Asia advanced from $276,494,777 to $1,041,444,129. These columns show how the trade was divided among the countries.

From	*To*	*United States*	*Great Britain*	*China*	*Total*
Japan.....	1913	$92,236,691	$21,364,690	$77,330,064	$428,457,672
	1914	98,269,504	20,991,350	86,080,157	309,134,196
	1917	253,669,709	74,554,830	159,195,265	802,000,000
	1918	301,943,058	71,433,185	161,791,000	981,350,129
	1919	409,853,213	55,671,733	298,589,066	1,049,436,309
		United States	*Great Britain*	*Japan*	*Total*
Philippine Islands.....	1913	$21,010,248	$10,629,992	$3,823,916	$47,772,956
	1914	18,162,312	7,852,339	2,993,845	48,689,634
	1917	62,384,641	10,305,085	7,668,888	95,604,307
	1918	85,926,717	15,666,764	8,719,216	135,682,536
	1919	66,289,336	28,890,080	7,765,139	113,117,833
China.....	1913	39,010,800	108,338,000	30,511,519	294,413,038
	1914	39,382,978	87,412,441	46,650,503	238,671,841
	1917	139,976,744	144,771,359	66,635,518	472,190,262
	1918	140,892,573	52,833,120	113,947,500	612,212,619
	1919	170,177,265	.....	242,247,489	.....
British India..	1913	116,220,591	225,807,806	67,370,806	797,115,878
	1914	111,903,527	210,953,898	73,613,923	687,871,841
	1917	101,057,067	315,745,595	111,970,652	727,471,231
	1918	129,688,009	420,570,781	134,092,593	739,209,250
	1919	140,081,000	474,844,000	159,738,781	701,949,600
Straits Settlements.....	1913	35,712,185	52,329,460	3,077,129	220,912,072
	1914	26,307,860	48,581,843	2,045,365	188,783,579
	1917	127,562,633	78,132,480	7,525,064	352,134,695
	1918	150,231,422	61,552,937	14,661,599	.....
	1919	145,862,447	.....	14,104,972	.....
Dutch East Indies.....	1913	6,221,954	19,066,050	18,694,628	249,400,000
	1914	5,334,361	1,271,928	.....	273,822,000
	1917	88,620,800	82,940,970	8,666,550	324,023,000
	1918	74,982,656	44,257,707	24,418,599	271,938,000
	1919	78,746,091	.....	32,761,250	.....
Siam.....	1913	116,565	2,513,830	96,188	30,032,622
	1914	146,545	3,965,733	220,097	43,142,945
	1917	149,162	6,300,328	2,176,400	44,948,997
	1918	174,892	266,352	2,865,492	45,804,168
	1919	223,827	.....	14,968,565	58,331,315

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